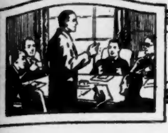


WITH THE EDITORS

The Rules of the Game

WHETHER the New Deal brings a bit of the more abundant life to stockholders this year or not, it will do them at least one good turn. To the stock market and everything connected therewith the S E C is gradually but steadily feeding doses of the reform ordered by Congress. The year 1935 will be the first full year of this particular variety of New Deal.

Under it one will find new and higher standards set for corporations in their bookkeeping and in their relations of all kinds with shareholders. Moreover, corporate officers and other insiders will not only have their speculative wings clipped by heavy penalties but will see the bright light of publicity let in periodically and frequently on their stock holdings.

If the average shareholder does not know a good deal more about his company this year than he did last year, it will probably be his own fault. The 1934 annual earnings reports and balance sheets will soon be coming to hand, most of them somewhat later than usual because of the work required in conforming to the S E C regulations. For the same reason, no doubt many companies will resort to issuance of preliminary annual reports and will need further time to prepare their final reports.

As a generality, more detailed and accurate information is going to be available to investors this year than ever before. To the intelligent it will be very valuable and helpful, but neither frank and full information, S E C rules or anything else can ever be an effective substitute for judgment. The S E C does not assure stock market profits to any one, nor does it take from or add to the real worth of any stock by an iota. It merely lays down the rules of fair play.

One of the most effective of these rules of fair play will prove to be that forcing insiders to forfeit to their company any profits made in purchase or sale of the company's stock where the position has not been held for more than six months. Because this rule will be effective, we probably will hear very little of it in 1935. When company insiders do not speculate in their own stocks that is not going to be news to us.

There will be much publicity, however, on holdings of officers and large shareholders and the legitimate changes therein. Stockholders generally will thus have a chance to check their own personal judgment against that of the insiders.

No doubt Mr. A, owning 50 shares of the XYZ Corp., will be glad to read that Mr. B, the president, owns 10,000 shares; but somewhat perturbed if, by chance, he reads that Mr. B has sold his 10,000 shares within the preceding month. Even a hint thus belated should be worth while to those whose major speculative fault is a stubborn unwillingness to admit fallibility of judgment. Most of us are that way.

In the Next Issue

What's Ahead for Business

What Industries Will Benefit Most from Public Works Program

Outlook for Durable Goods—Consumers Durable and Capital Durable

Extent of Possible Re-employment

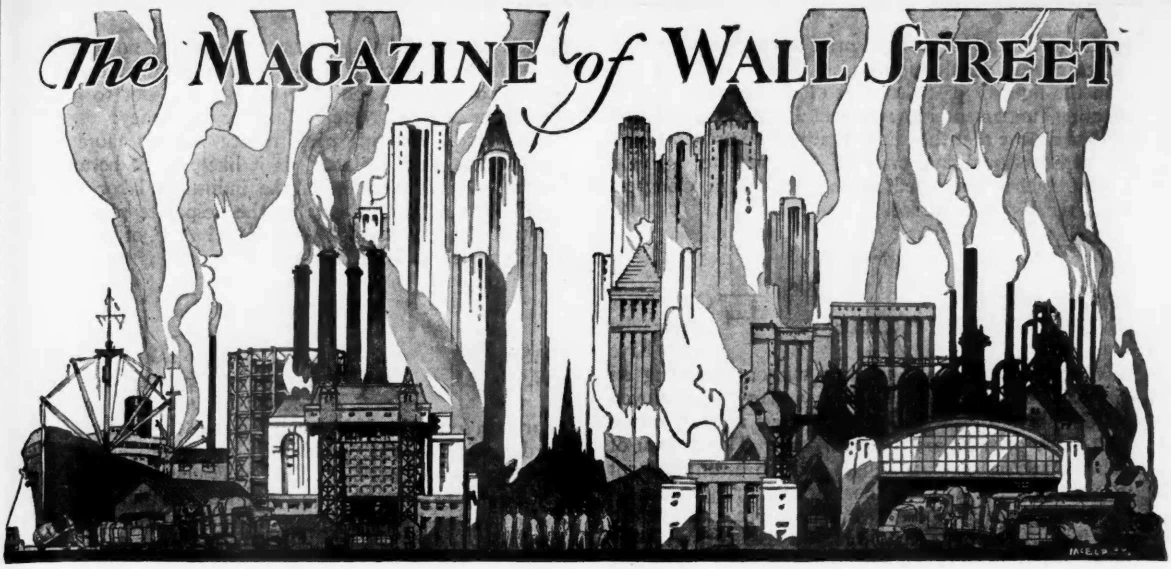
By JOHN D. C. WELDON, Business Economist

Semi-Annual Dividend Forecast
Part I

Rails **Utilities** **Equipment**

Part II in the Issue of February 16

Chemicals **Petroleum** **Steel** **Metals**
Foods **Building** **Motors** **Merchandising**



The Trend of Events

CONGRESS PROPOSES, SUPREME COURT DISPOSES

THE ultimate source of fundamental law is on the job at last. The august Supreme Court has just disposed of the plan to deal, under the National Industrial Recovery Act, with the "hot oil" problem. The direct effects of this decision are not necessarily important because the way is left open to Congress to deal with the oil problem in a constitutional manner; and undoubtedly Congress will promptly pass the corrective legislation indicated.

But the gold clause cases involve no question of delegation of legislative power to the President; they strike at the constitutionality of a substantive act of Congress. There is here no nice question of what constitutes a delegation of legislative authority; it is a clean-cut question of whether Congress has any power to impair a contract. The cases cover both private contracts and Government obligations. In both the question is, does a contract to pay in certain standard gold dollars mean just that, or, at least, the currency equivalent of such dollars? The particular law at the bar is that of June 5, 1933, which, as an incident of the suspension of the gold standard, made all pecuniary contracts, regardless of their language, payable in legal tender. Later, Congress reduced the weight content of the gold dollar from 25 8/10 to 15 5/21 grains nine-tenths fine, so that in terms of the former gold dollar a dollar is now worth only 59.06 cents. The several suits before the Supreme Court are in the practical form of demanding payment at the rate of $1.69 in present money for every gold dollar stipulated in the contract. If the decision should be against the government the national debt would be increased by about $17,000,000,000; and private debts expressed in gold would be increased by somewhere around $100,000,000,000, as virtually all bonds and mortgages issued before June 5, 1933, had a gold clause.

What would be the consequences? Increase of their dollar debt by 69 per cent would make virtually all railroad corporations insolvent, and all other corporations with sufficiently large funded debts. The bonds of both groups would depreciate. On the other hand, Government bonds with the gold clause and like bonds of corporations which withstood the shock would appreciate, so also with mortgages. Stocks of the ruined or weakened corporations would fall to unparalleled lows, and those of the remaining strong ones might be sympathetically affected. The business world would suffer such a sympathetic shock that commodity prices would fall. In general, there would probably be a period of chaos, with closed stock exchanges, slump in dollar exchange, debt moratoria, etc.

Remedial legislation might take the form of monetary inflation or restoration of the old gold standard, or both. The whole New Deal would be in jeopardy

insofar as it rests on artificial price adjustments through monetary unit devaluation.

In the light of past decisions of the Supreme Court affecting fundamental governmental policies, most legal experts believe that the abrogation will be upheld under the constitutional authority of Congress to regulate money, which was cited in the debates in Congress when the law was passed.

WHAT IS THE UNEMPLOYMENT PROBLEM?

FOR four years now we have been trying to solve a problem without knowing its dimensions. Nobody knows how many unemployed persons there are in the United States, nobody knows how many of them are unemployable. The Bureau of Labor Statistics gives us figures only on unemployment in about 50 per cent of the manufacturing establishments; other fields of employment are not even guessed at. The American Federation of Labor estimates the unemployed at 11,000,000, the National Industrial Conference Board puts the figure as 10,000,000, other estimates are as low as 8,000,000. F E R A reports that it is giving relief to 15,000,000 unemployed heads of families and unattached individuals, but relief rolls and unemployment rolls are different categories. The Bureau of the Census is silent. The President offers no suggestion in his annual message.

We should have frequent and rapid counts of the unemployed. Then we would know the proportions of the unemployment problem and whether it is waxing or waning. In an article in the *Saturday Evening Post* General Hugh S. Johnson suggests that local boards, similar to the draft boards of the War, be created to register the unemployed. He asserts that such boards would assemble the facts quickly and accurately. The census is too slow, its figures are out of date by the time they are compiled. The local board method would not be costly, but what if it did cost a few millions?

Maybe some one can propose a better method. But certainly we ought immediately to ascertain the proportions and composition of this pressing national problem.

THE MOTOR OUTLOOK

IF our entire economic activity were devoted to making and selling automobiles, the depression would be over. Motor production and sales are rising—and the only fly now visible in the ointment is the threat of possible labor troubles. It would be regrettable, indeed, if the American Federation of Labor in its insatiable drive for power and dues gums the works this spring in our one industry which can boast of almost normal activity.

Both employment and wage scales in the motor industry are relatively high. We sincerely believe that organized labor will do well to think twice before attempting to crack down here, if it wishes to avoid the risk of forfeiting the sympathies both of the public and of the Administration. There are no Insulls in the motor industry. It stands high in public esteem because it has managed year in and year out to give the consumer ever greater values for his money.

The credit for this performance belongs more to management than to labor. Is it likely to be bettered under union domination of the industry's labor relations? One need only gaze at the desperate plight of construction and its highly organized A. F. of L. craft unions to see that the answer, obviously, is no.

CASH OR CHARGE?

AS you sit down to calculate what your Federal Income tax for 1934 will be you may lighten your pain somewhat if you will compare the prospective burden with what it would be if you were calculating tribute to His Majesty, the King of England. Assuming that both here and there you are unmarried and without dependents and that your income is all "earned", your troubles here will end with the compilation of the return if the net income turns out to be less than $3,000. There will be nothing to pay. But if you were in England you would find that the tax collector would have business with you if your net income exceeded $500, although it would be only $5.63 on a thousand dollars. But at $3,000 you would pay $272.81, and on up to $632.81 at $5,000 and to $2,205.31 at $12,000. In this country you will pay only $8, $80 and $602 at the respective brackets. If your income is a million your tax will be $571,394 here and would be $613,554.69 if you were over there.

These comparisons are all in favor of the United States as an income tax domicile, but what about the larger aspects of the subject. The British are paying their way out of the depression, we are borrowing ours. Their way looks more businesslike, but probably ours is adapted to our national psychology. The Britisher accepts high taxation as he accepts his weather. We would bootleg unconscionably if small incomes were even tithed.

BEHIND THE GERMAN SCENES

OUTSIDE of Germany Adolph Hitler's stock has long been in a bear market. Such news as now seeps out of that troubled and propaganda-ridden country seems to indicate a similarly declining internal trend of the Hitler prestige and power. Probably it is beginning to dawn on Germans that Herr Hitler has not only led them nowhere near their promised place in the sun, but merely out of the frying pan into the fire.

The iron ring of isolation around Germany—political, economic, military—is far stronger today than it was when Hitler seized power. On the face of it, there would seem to be logic in present reports, even though unconfirmed, that the Reichwehr, Economic Dictator Schacht and the chieftains of Big Business are becoming increasingly the real rulers of Germany, maintaining the puppet Hitler as long as it suits their purposes.

Monday, January 14, 1935.

As I See It ~ By Charles Benedict

Every Man a King—in Rags?

WHY should we fumble along further with the Roosevelt Administration and its laborious efforts to better, our condition? The more abundant life is ours to be had for the asking. All we need to do is to send Huey Long to the White House and make Dr. Townsend our Secretary of the Treasury. Then will the millenium be at hand and none will ever again have material worries. Every man will be a king. Glory be! Hallelujah!

The magic remedy urged by the pied piper of Louisiana is the essence of simplicity. What we must do, he says, is to "reduce the size of the big man's fortune so as to give the masses at the bottom enough to wipe out all poverty." You see, it's like this. Says the Kingfish:

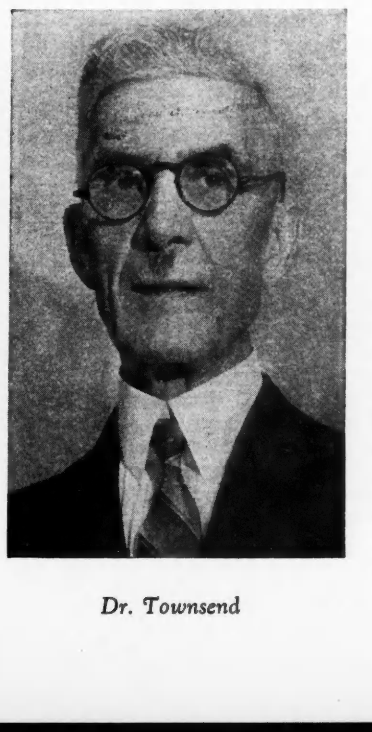
"All the people of America have been invited to a barbecue. God invited us all to come and eat and drink all we wanted. He smiled on our land and we grew crops of plenty to eat and wear. He showed us in the earth the iron and other things to make anything we wanted. He unfolded to us the secrets of science so that our work might be easy.

"Then what happened? Rockefeller, Morgan and their crowd stepped up and took enough for 120,000,000 people, and left only enough for 5,000,000 for all the other 125,000,000 to eat. And so many millions must go hungry and without these good things God gave us, unless we call on them to put some of it back."

It is easy for any intelligent mind to demolish such nonsense and to show the absurdity of such economics. If the entire national wealth were owned by "the big men"—and it isn't—and if it were in such form that an equal physical per capita distribution were possible—which it isn't—the loot that Mr. Long promises would be but little more than a pittance for each individual. Moreover, we do not live on our wealth, but on the income that capital, management and labor produce in combined effort. Our trouble is neither lack of wealth nor unequal distribution of wealth, but a paucity of current production.

International Photos

Huey Long



Dr. Townsend

It is, however, far easier to refute this silly destructive demagoguery than to account for the somewhat sobering fact that Mr. Long is able to get a hearing over the radio to beguile the ignorant and the unthinking, of which—regrettably—we have too many for comfort.

And it is equally disquieting that literally millions of our people have been taken in by the fantastic Townsend Plan. Dr. Francis Everett Townsend is an elderly, retired California physician. His magic formula for prosperity is also simple—"too simple," he explains, "to be comprehended by great minds."

He would have the Government retire some 8,000,000 persons over sixty on pensions of $200 a month, on pledge the entire pension be spent monthly. Removal of millions from work in this way would make room for the unemployed and would restore purchasing power. The cost would be about $20,000,000,000—or nearly half of the present national income—and would be met out of a general sales tax.

"Purchasing power will be restored," he says. "Business will boom. Prices will go up, of course. But what's the difference? Everyone will have plenty of money. There will be no more poverty."

Again, it is easy to point out the essential fallacy of this naive theory. It rests upon the curious fact that Dr. Townsend has read somewhere that the business turnover in this country in 1929 was $1,300,000,000,000—one trillion, three hundred billion dollars! So that a tax of a mere 2 per cent on every business transaction would yield the necessary pensions without hardship. Obviously, this is the dream of a crackpot. If our annual business turnover were what this man claims, every man, woman and child in the land would have an annual income of $10,000 and a tax of 3 per cent would pay off the national debt in one year!

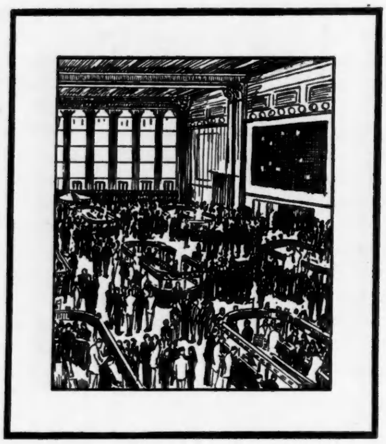
So what? Is the country laughing and saying we need pay no heed to such nonsense? Some are. Indeed, too many are. It would be better if the intelligent awakened to

(Please turn to page 418)

Market Faces New Problems

Rising Business Trend Is Offset for the Present by Washington Uncertainties

By A. T. Miller



THE past fortnight has seen a moderate recovery in the stock market suddenly washed out by the focusing of attention on new governmental uncertainties—specifically, doubt as to the Supreme Court's disposition of the now widely publicized "gold clause" cases. Before reacting, the industrial "average" most closely watched by short-term traders had attained a level only some 5 per cent under the old "double top" of July, 1933, and February, 1934,

It is distinctly worth while, however, to emphasize that such generalization becomes increasingly futile and misleading. Seldom has a stock market been more discriminating, more irregular, more filled with diverse trends both as regards the major groups and individual issues. It was so throughout most of 1934, as the net changes of the year clearly show. It is likely to be so for some time to come.

Confusion of Trends

Consider for a moment the widely published "industrial average" above referred to and which is daily studied by many in search of illuminating technical clues. It is made up of thirty stocks both prominent and representative. Among the lot, four issues—American Can, Coca-Cola, Eastman Kodak and International Business Machine—have shown broad gains over the past year. Some of the others have had moderate gains, but the majority are either little changed in a year or substantially lower.

In short, the fact that this "average" has recently stood at a level around 5 per cent under the previous highest mark of recovery is due predominanly to the broad and persistent appreciation of four issues, each of which has invited demand because of strong earning power and attractive dividend yield.

Looking beyond these thirty issues to other representative stocks, one finds the same marked divergences of trend. A year ago the metal stocks were favorites, on the theory they would appreciate handsomely on dollar de-valuation. To mention but two, McIntyre Porcupine and American Smelting ended the year lower than they began it. In the chemical group, long regarded by traders as virtually a sure fire bet, Air Reduction went up 12 points on the year, Allied Chemical went down 11 points and du Pont was virtually unchanged. Among the steels, United States Steel was off 9 points and National Steel unchanged.

The dangers of speculative theorizing under present conditions are still more strikingly suggested if one compares stocks which, on the face of it, would seem to be affected by almost precisely the same economic influences. For instance, Sears, Roebuck lost ground on the year, while Montgomery Ward advanced. American Radiator advanced 1 point, but Johns-Manville declined 6 points. International Harvester went up 3 points, while Case Threshing dropped 16 points. Stocks of the sugar producers, which theory held would benefit most from rising sugar prices, did very little, while American Sugar, a refiner, went up more than 17 points. Consolidated Gas dropped nearly 20 points, while North American went off only 2⅜ points.

The one safe generality that can be drawn from all this is the lesson, emphasized repeatedly in these articles, that under existing circumstances the best speculative opportunities center either in stocks of solid investment merit and sustained earning power or in equities of companies favored by a clearly defined rising trend of earnings. In rational markets—and it has been a rational market since the speculative spree of 1933 ended in that headache of late July—the earnings trend is always king. The New Deal has not yet got around to changing this.

The Earnings Base

At the present time confidence in the prospect of a rising trend of aggregate business activity is riding high. Yet it is a striking and somewhat sobering fact that confidence in the general profit trend is by no means equally high. For example, automobile production is the highest for this season since 1930 and current sales long in advance of spring weather appear to justify optimism. Yet shares of the leading motor companies have declined materially from recent best quotations and are considerably under the prices of a year ago.

The threat of a possible outbreak of labor difficulties in the weeks ahead undoubtedly plays a part in this picture; but the larger factor is uncertainty, if not doubt, that the year's probably augmented motor sales will produce proportionate gain in profits under present manufacturing costs.

Similar uncertainties apply to the steel industry, in which operations are fully 30 per cent higher than at this time a year ago, without anywhere near a proportionate gain

in the steel shares. Such mild speculative interest as has been attracted to this group chiefly centers, quite logically, in the makers of the lighter steels and especially those favored with a large demand from the motor industry.

Roosevelt Messages

If there is little in these purely industrial and earnings considerations to make for ebullient enthusiasm in the stock market at the present time, there is even less in the current Washington scene. The President's annual message to Congress and his budget message threw very little fresh light on the longer prospect for recovery in this country and certainly can only be regarded as disappointing to anyone who had hoped for some hint as to when we may make even a start toward a budget balance. The stock market's verdict, however, has been that the Administration's fiscal and relief program as now revealed is nothing to get excited about either way.

With these messages out of the way, interest shifts to the two other branches of our government—the legislative and the judicial. In the immediate future the President's social security program is expected to be revealed, but the stock market apparently believes the cost will prove moderate. In any event it shows no concern over this matter. Legislation helpful to the railroads is anticipated, but without much hope that it can by any means change railway revenues and finances overnight. Other specific events awaited are clarification of the Administration's labor policy and the decision as to the precise future of N R A.

Beyond these matters the market appears to be adopting a "show me" attitude toward Congressional uncertainties in general as it wonders whether the Administration can control the inflationists and spenders.

Meanwhile, for the first time since President Roosevelt was inaugurated, the United States Supreme Court has to be given immediate consideration in any conjecture as to the trend of the security markets. Several vital cases testing the Constitutionality of various of the New Deal's major legislative enactments have finally reached this highest tribunal after passing up through the lower courts. An adverse decision has already been rendered on one provision of the petroleum code. For reasons that we need not discuss, this is not of major significance.

On the other hand, at this writing the court is hearing arguments on several "gold clause" cases which have been lumped together in joint test of the Constitutional right of the Government to abrogate the gold clause in public and private obligations. Several weeks will probably be required before a decision is rendered. It need hardly be said that no one can forecast this verdict, but questions directed at the Government's counsel by various of the Justices in the recent hearings—and notably by Chief Justice Hughes—can scarcely fail to make the stock and bond markets begin to consider the implications of a decision adverse to the Government.

We have no opinion as to this decision. Neither can we presume to forecast its possible effects because these would be determined not alone by an adverse decision itself but also by the subsequent prompt formulation of new Administration policies. It is obvious that a great many corporations having gold clause bonds outstanding are not able to meet 40 per cent larger charges in current paper dollars and this applies notably to railroads and public utilities. Not a few industrial corporations, however, would also be sorely hit.

In the case of gilt-edged bonds of unquestioned ability to meet 40 per cent larger charges, in current paper dollars, both as to interest and principal, the effect would no doubt be a marked appreciation in market prices. But the securities in this class are a minority, and the net effect of a decision against the Government would almost certainly be deflationary in the extreme—so much so that neither the Administration nor Congress could possibly contemplate such a development with equanimity.

Effect of Court Decison

It is conceivable that the response would be an immediate voluntary venture into some degree of currency inflation in a determined effort to stem a renewed wave of deflation. This would mean higher prices for common stocks of companies without gold clause bond obligations, but it is to be doubted that any such violent changes in the market pattern would come about either immediately or without an interval of confusion and disturbance.

We have no desire to borrow trouble and we recognize that we are herewith discussing contingencies which may be remote, as we hope they are. But it would be foolish to shut one's eyes blindly and contend that here is something that can not happen.

In any event, since there is more than one grave uncertainty to be resolved for the market over the next few weeks, we believe a distinctly cautious investment and speculative policy is currently in order as respects new commitments.

So far as concerns long-term investment policy, the unchanged view of this publication is that there is no reasonable alternative to continued retention of sound equities. By sound equities we specifically mean issues of investment rank or, otherwise, stocks supported by a clearly defined upward trend of earning power.

Only a small minority of the stocks recommended by us during the past year or more are in the class which would be directly and seriously affected in the event of an adverse gold clause decision, as above discussed. To be doubly safe in the present uncertain situation, we herewith point out to investors that it would be merely the part of

(*Please turn to page* 416)

¶ *Another Five Billions for Recovery*

¶ *Private Enterprise Is Encouraged*

What President's Messages Signify for Business

By THEODORE M. KNAPPEN

Associate Editor and Washington Representative

IN the first sentence of his annual message to Congress the President reminds the American people that they are witnessing in his administration something more than a wrestle with relief and recovery problems.

"We have undertaken a new order of things," he says. . . . The New Deal is to go on. . . . "The outlines of the new economic order, rising from the disintegration of the old are apparent. — The attempt to make a distinction between recovery and reform is a narrowly-conceived effort to substitute the appearance of reality for reality itself." The over-privileged are to be "weeded out" and the under-privileged are to be lifted up. "Americans must forswear that conception of the acquisition of wealth which through excessive profits, creates undue private power over private affairs and, to our misfortune, over public affairs as well."

International Photo

Happily no rule is given for singling out the over-privileged, and the "profit motive" gets the President's formal okay; greater ability, he finds, is entitled to greater rewards, and he is opposed to dividing up the national wealth "on stated occasions." The New Deal is thus defined as a collective institution whereby millionaires are to be kept down and millions of the common people are to be lifted up.

Reform to Continue

To a business world grown used to change, evolution and revolution there is nothing alarming in this program—except perhaps that the patient is to be subjected to some major operations while he is still ill. Certainly there is nothing in this vision to disturb the great masses of the American people or to threaten our economic institutions. It is simply plain and blunt warning that reform and recovery are going on together—like it or not. Most of us do not fear that we are to be classed among the "weeds" which are to be uprooted. If the President's reform homily sounds a bit shocking in its vagueness, it is well to remember that this is a democracy and that demos will not always get along without some fat sops as well as bones. On the other hand, the cock-eyed radicals, parlor pinks and direct action crackpots are rebuffed. The hereditary conservatism of the wealthy scion of Dutch patroons has revealed itself to them beneath a parlor frosting of sentimental equalitarianism.

At bottom a great majority of Americans are and always have been believers in progressive improvement of the material as well as the cultural status of the masses. The humanitarianism of President Roosevelt has been recurrently voiced by the White House from the days of Jefferson, Jackson and Lincoln to those of Roosevelt I, Wilson and Roosevelt II. . . . But business went on as usual.

Inflation Invited

Against the calm confidence of the President's unruffled acceptance of a budget approximating nine billions of dollars, the fourth deficit in a row of more than three billions and a national debt mounting towards $34,000,000,000, is to be placed the brutal fact that neither in the general message nor in the budget message is there any plan looking to fiscal equilibrium.

This hiatus will doubtless leave the possessors of the

nation's mobile wealth cold. A deficit larger than the total budget of any other nation in the world is met with no suggestions for increase of taxation and no scheme of progressive reduction of expenditures—nothing but a hope for "tapering off." Mounting deficits having ever degenerated into straight monetary inflation, the messages will contribute nothing to the resumption of creative investment and the lifting of the fear of the future which has so long paralyzed the capital goods industries.

No Monetary Stability?

To be coupled with the gap in the budget is the fact that the President had not a word to say about definitive monetary stabilization. The door is thus left wide open for fear of inflation and continued suspicion of the currency. Billions are to be tapped to finance relief and prime industrial recovery but the foundations of automatic recovery are not repaired. On the other hand, there is not a word in the messages to encourage the militant inflationists—the deficit is to be financed in the orthodox way of borrowing. Confidence is expressed that that will not be difficult—and that is the fact. The business world will feel certain that fiscal chaos is not at hand, even if it reads in the messages no fundamental scheme for recuperation.

Four Billions for Relief

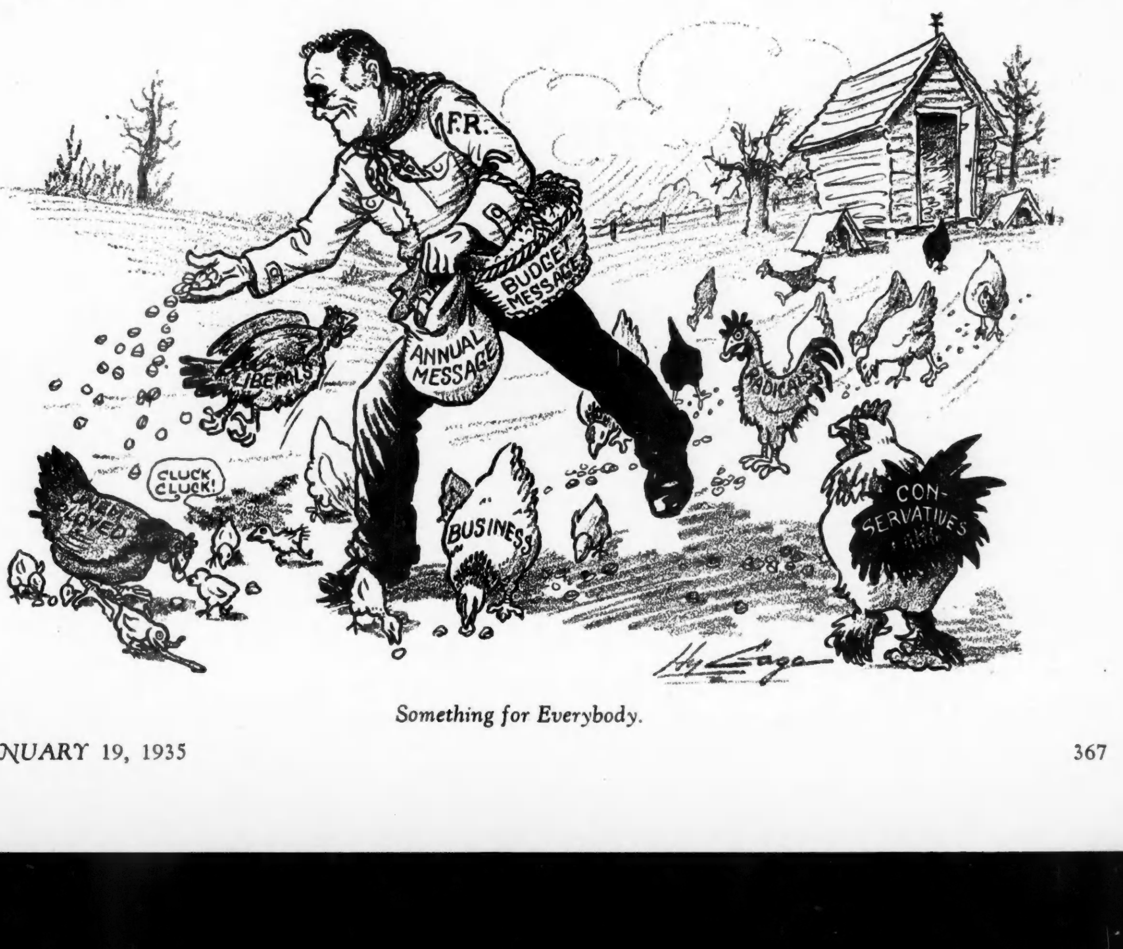
The relief and industrial recovery expenditures are to be consolidated into a single agency, and relief is to take the form of work on public projects. The so-called dole is to be abolished to the utmost possible degree by giving government jobs to the 3,500,000 employable now on direct relief and turning the 1,500,000 unemployable over to the mercies of the states. The Government now definitely assumes that it is the duty of the state to provide its citizens with employment.

The President wishes the proposed fund of $4,000,000,000 for relief and employment to be turned over to him in a lump sum. This request raises the specter of another political pork barrel large enough to influence the next elections. Centralization of the control of expenditures is good business policy, however, and the President promises that the moneys will be spent where the masses of the unemployed live and not on the basis of states' rights to pork.

Business judgment will approve the formula that wages on public works, while larger than direct relief allowances have been, shall be less than the rates prevailing in private employ. The Government distinctly will not compete with private employers for the favor of the unemployed, and the works projects are to wane as industrial enterprise gains. But the fact that all government work is to be handled directly, as far as possible, thus eliminating contractors of all sorts, while probably the only way to get around the artificial wages of the codes and the unreasonable demands of organized labor, will put in limbo that great class of enterprising citizens who are willing to risk their time and money in construction enterprises. Public works will inevitably be conducted wastefully, with a myriad of politically appointed bosses floundering incapably in jobs beyond their ability, experience or responsibility.

Banking on Business Recovery

Both messages assume that public revenue—both customs and internal — will be increased through the expansion of business activity. This is probably a justified assumption in which the business world will concur. Domestic trade is growing; imports are mounting. Time and tide fight for gradual recovery, even with strength enough to overcome ill-judged governmental help. The new budget does away with the former double budget of general and emergency expenditures, the latter (except agricultural) now appearing simply as Title VII of a single budget, and the President points out that the 1936 budget is in balance outside of this title, which is about the same as saying that the budget would be in balance if it were not out of balance. It is commendable, that the really regular expenditures which



Something for Everybody.

were concealed this year in the emergency budget are now back in their regular departments and agencies even though enlarged, as in the case of the Army and Navy, partly for recovery reasons.

The Army and Navy get $270,000,000 more in the 1936 departmental allowances than they had in 1935, practically all of it to be spent for construction and new equipment, meaning welcome business for the durable goods industries. Reverting to relief and recovery expenditures in this connection, it is to be noted that about $1,600,000,000 of the $4,000,000,000 total may be reckoned as going to private industry for supplies, construction materials, machinery and other equipment. In the light of past experience with governmental lethargy and procrastination, it is doubtful whether these sums can be expended in the course of a year. The money will be available before next July. Actually, it took 34 months to spend the $4,000,000,000 that had gone to relief and recovery at the end of November, 1934.

Less for A A A

While A A A is to go on, the realization of plans for less adjustment of farm income is indicated in a slight reduction in the estimated revenue from processing taxes for this purpose. Agricultural prices are getting to a point where it is hard to justify some adjustment payments under the pretext of restoring farm income to the pre-war parity with industrial prices.

Business men who scrutinize the budget from the point of view of balance will note that so-called regular expenditures for 1936 will be almost half a billion more than in 1935 and almost $900,000,000 more than in 1934. After allowing for reshuffling of bookkeeping, the latter amount will still be more than the entire expenditures of the government in 1914.

That growth of regular expenditures may be expected on an increasing scale in future years, regardless of relief and recovery, is shown by the President's reference to the advisability of applying relief and recovery funds in accordance with the "broad program of the National Resources Board," which suggests the expenditure of $105,000,000,000 in the next fifteen years for the ultimate objective of the "enrichment of human lives." This vast sum will give an inkling of how the "over-privileged" are to be "weeded out" and the under-privileged are to be rescued. Associated with this huge forecast of the future "security of livelihood through the better use of the national resources of the land in which we live" are immediate employment insurance, old-age pensions and other dependency benefits—cost not budgeted. The present staggering budgets are evidently to become a fixture. The New Deal contemplates a ceaseless attack on "low-living."

As the $4,000,000,000 (outside of $570,000,000 A A A processing taxes) now to be spent for relief and recovery is not distributed in the budget we have only the President's generalization to satisfy our curiosity at this time of how the costs of ten Panama canals are to be poured out, as follows:

(a) Rural electrification.
(b) Reforestation of the great watersheds of the nation.
(c) Prevention of soil erosion and reclamation of "blighted areas."
(d) Improving existing road systems and construction of national highways to handle modern traffic.
(e) Elimination of railway grade crossings.
(f) Extension and enlargement of Civilian Conservation Corps (expected expansion is to 850,000 men.)
(g) Non-Federal work "mostly self-liquidating and highly useful to local divisions of Government."
(h) Rural housing of various kinds.
(i) Slum clearance.

Still in the Presidential Sleeve

Besides omission of discussion of every phase of monetary legislation the President did not mention the soldiers' bonus (although he did call attention to the fact that veterans' appropriations are greatly increased), banking legislation, future of R F C, aviation, shipping utilization of the "profit" resulting from the nationalization and devaluation of gold, foreign trade policies, the 30-hour week and labor legislation generally, and the international political debts. He merely mentioned the regulation of transportation, the reconstruction of N R A, the continuation of the Home Owners' Loan Corporation, and "abolition of the evil features of public utility holding companies." There was not a word about further projects similar to T V A. Some of these subjects and others will be discussed in supplementary messages—leaving plenty of room for bargaining with Congress and gaining time to size up the temper of Congress and the degree of his domination of it.

The public must be warned not to accept the Budget as prepared by the President and the Bureau of the Budget as the one Congress will enact. This is a spending Congress. It will press on many items of the budget for more than the Executive proposes, and will strive for supplemental provisions. We may count on total appropriations exceeding at the least $9,000,000,000, (as compared with the budget figure of $8,500,000,000) with staggering authorizations for the future; there will be a rush to plunge into the program of the National Resources Board, with its infinite capacity for "pork" production and its powerful allure for local boosters.

The two messages are reassuring on the whole. They breathe confidence and courage, despite their important

(*Please turn to page* 415)

Three Years of Record-Making Budgets—and Deficits

(Fiscal Years)

Account	1936 Estimated	1935 Partly Estimated	1934 Actual
I. Receipts			
1. Internal Rev	$3,443,900,000	$3,197,466,507	$2,640,603,828.30
2. Customs	298,000,000	287,000,000	313,434,302.19
3. Miscellaneous Revs	171,064,834	217,813,426	152,632,225.14
4. Assets Realization	78,939,805	9,370,755	8,883,693.90
Total Receipts	3,991,904,639	3,711,650,688	3,115,554,049.53
II. Expenditures			
1. Regular*	3,898,402,134	3,266,266,374	2,821,734,611.81
2. Supplemental	40,000,000	85,000,000	....
3. Recovery and Relief (including A A A)	4,582,011,475	5,259,802,852	4,283,315,473.14
Total Expenditures	8,520,413,609	8,581,069,026	7,105,050,084.95
III. Deficit	4,528,508,970	4,869,418,338	3,989,496,035.42
IV. Means of Financing Deficits			
1. Borrowings	3,788,623,782	4,606,058,460	3,989,496,035.42
2. Reduction of Treas. Working Balance	739,885,188	263,359,878	....

* Includes some items carried under recovery and relief in preceding years.

James Allen Etching, Courtesy, Kennedy & Co.

What Does Labor Want? What Will It Concede?

An Answer to One of the Most Pressing Questions of Our Times

By MATTHEW WOLL
Vice-President, American Federation of Labor

WHAT does organized labor want and what will it concede? It is not a particularly difficult question to answer, but I would prefer to state first what labor does *not* want.

In the first place, it most emphatically does not want any form of dictatorship no matter under what name it may masquerade. No self-respecting worker wants any new or old style Hitlerism, Communism, Fascism or any other "ism" which subordinates the individual to the state and provides a political, social and economic system permitting dictatorship by an individual, a minority group or a political party in return for a vague promise of alleged security in the future. It wants none of these things any more than the so-called "white-collar worker," or business man, or the farmer—or any one but the incompetent, the lazy and the fanatic—wants them.

Yet it is apparent that we are drifting toward some sort of radical collectivism which seems to me to be a mixture of German Hitlerism and Italian Fascism. If some of the present tendencies are not checked, if we do not regard more seriously essential principles which have been traditional since the founding of the Nation, we may find in the very near future that most of us are working directly for the Government or under orders from Washington.

Organized labor in the second place does not want any form of inflation. Inflation is the inevitable outcome of a steadily increasing public debt. A public debt which is too great for the taxpayers to bear is the only reason for

inflation and the world is strewn with the economic wreckage which it has caused.

Our public debt—National, state and local—is increasing at a terrifying rate. It must not be forgotten that the easiest way to turn a democratic government into some form of dictatorial collectivism is by running it so deeply into debt that business and industry can no longer carry the burden. This is the road along which we are traveling and will continue to travel unless and until the voters take the matter into their own hands and see to it that campaign promises of balanced budgets, economy in the conduct of government and a gradual lessening of the economic burden under which American taxpayers are staggering, are kept. If we wish to maintain our high standard of living, if we wish to keep down the cost of that living so that it bears some proper relation to national income, we must learn to use the ballot box and the voting machine intelligently.

The Opportunity to Work

On the other hand, I recognize, as every intelligent person must recognize, that we are going through abnormal times—not so very different from other crises with which the Nation has been faced except in intensity. Never has there been a time when such a large percentage of the people of the United States have been on some form of relief. A large majority of these people do not want charity—all they ask for is an opportunity to work. In some way or another, we must provide for these people and in such a way as to do the least extent of damage to their self respect.

We must not forget, however, that taxes provide the greatest single contribution to the cost of living today. It makes no difference whether these taxes are paid in the first instance by big business, industry, the public utilities, the banks or insurance companies, it is the ultimate consumer who pays them in the end, for they must be reflected in the price of everything which he has to buy for himself and his family. The tax collector pitches his tent where the raw materials are produced and beats the finished article to the retail store where his toll is added to the price tag. His travels over the route of production and distribution are marked with an endless series of demands for more and more taxes. We have to spend money to take care of the people who are finding it difficult or impossible to take care of themselves, but we must be sure, at least, that we are spending it sanely and in a manner which will result in the greatest good for the greatest number of people.

What Labor Wants

Organized labor wants to see a check placed on the further extension of government into our economic life. From some activities the Government should definitely retire. By this I do not mean that business should not be regulated by certain forms of restrictive legislation. Natural monopolies such as the public utilities and the railroads must be regulated with a firm hand in the interests of both the public and the security holders in these enterprises. Insurance companies must be regulated in the interests of their policy holders for whom, after all, they act in a purely fiduciary capacity. Banks must be regulated in the interests of their depositors, their stockholders, and their customers for credit, alike. Sanitary laws controlling the processing and distribution of food; various health measures and protective laws against unnecessary, unusual hazards; laws against misrepresentation, fraud and unfair competition; laws prohibiting child labor and laws relating to wages and hours of work; these are all necessary and proper in the interest of the public as a whole.

But when I say that labor wants to see a very definite check placed on undue government interference in business, I mean, first of all, the rapidly growing tendency on the part of government to compete with its own citizens which, if carried out to its logical conclusion, must eventually lead to political ownership and operation of all of the processes of production and distribution. This may satisfy the aspirations of the average foreign worker, but is entirely foreign to the aspirations of the average American worker.

Federal Competition

The electric utilities, like the railroads in the earlier days, have done many things for which they should be condemned. They have made many mistakes and it doesn't matter very much whether they were mistakes in judgment or mistakes made because the promoters and entrepreneurs had no desire other than to fatten their own pocketbooks. Recent scandals are still a disgrace and the uncovery of more of these scandals is to be looked for. Financial structures in the form of holding companies on top of holding companies were built which never should have been built. Here and there these financial structures have been like a pyramid built upside down and have toppled over like a house of cards. In the fight between these great utility combinations for territory, prices have been paid for properties which cannot possibly pay a fair return on those values for generations to come. This has, in certain sections of the country, resulted in rates out of all proportion with the service rendered.

I wonder, however, if we are seeking the solution of the public utility problem in quite the right way. The Government is spending hundreds of millions of dollars—which will eventually run into billions—of the taxpayer's money in order to engage in a destructive competitive battle with its own citizens, and I sometimes wonder if the public really knows what the Government's hydro-electric policy, coupled with its policy of stimulating municipalities to go into the electric light and power business in competition with local plants really means to every man, woman and child in the United States.

First, it is bringing about the destruction of billions of dollars of security values—security values representing tangible operating enterprises in which millions of people have a very definite stake. These people are not confined to the security holders themselves. Every owner of an insurance policy is affected because this scheme of political sabotage must affect insurance company reserves established for the protection of the policy holder. In the same manner every man or woman who has a savings bank account is affected, for the banks have hundreds of millions of dollars invested in public utility bonds. Organized labor is no more in favor of political sabotage than it is in favor of industrial sabotage.

Why Not Regulation?

In view of these facts, isn't it possible to regulate these utilities in the public interest with a firm hand so that the dollars which are actually invested in them shall receive only a fair return and the public receive a maximum amount of service at a minimum cost? Advocates of government ownership and operation of public utilities tell us that regulation has failed—that the only way to secure a large supply of electric light and power is for the Government to take it over by the simple process of destroying the existing enterprise.

I do not believe that this necessarily is true. If regulation has failed, it is, in part, the fault of the Government —and in part of the utilities who have gained control of the

public service commissions. This is the danger Governor Hughes of New York State pointed out years ago—it is the lack of courage of the governors who appointed them, and of the state legislatures for failing to keep politics out of regulation or for failing to provide the public service commission with sufficient money to enable it to enforce the law. If existing public utility laws are not enforced, it is the fault of this conspiracy of politician and utility interest. Political ownership of the utilities will not of itself help the situation.

Effect on Workers

What of the coal miners, the railway workers, the innumerable employees of the existing privately owned and operated public utilities, the army of workers in the oil and gas industries? The coal, oil, gas and transportation industries will all be adversely affected if the Government carries to its ultimate end its vast plans for the development of hydro-electric power which means that every worker in these industries will be affected in exactly the same way.

It has been said that the Government's hydro-electric policy, if carried out to its logical conclusion, must have a very serious effect on industry as a whole and consequently on all industrial workers. Every one knows that a great hydro-electric project, to be successful and furnish cheap domestic electricity, must develop a large market for wholesale industrial power. This is a simple and fundamental principle of power economics. Is the Government going to pick up large industrial establishments and move them, willy-nilly, into the areas served by its enterprises without regard to the effect on the community or the workers in the industries? Or is it going to build factories of its own and enter into destructive competition with industries which have not found it practical to move at the behest of government? In any event the workers' future is deeply involved and their best interest must be conserved at all hazards. These aspects of the problem must be considered.

Harris & Ewing Photo
Matthew Woll

Organized labor reserves the right to bargain collectively with employers without interference by government unless there be unusual violence in connection with a strike—then it becomes a mattter for local or state police. For the past two decades the relations between the workers and employers have been steadily improving. Employers are becoming more and more appreciative of the aims and aspirations of organized labor and the rights of the workers to a fair share in the proceeds from business and industry. Organized labor has had a better understanding of the problems of management. But the past year and a half, with government taking a hand and undertaking to settle all disputes by governmental fiat, has produced a record of unusual disputes and strikes. Organized labor and employers should be encouraged to settle their disputes as between themselves and without any assistance by commands and prohibitions devised by academic theorists in or out of government service.

The fact is, the labor provisions as heretofore interpreted by industry have made for industrial unrest and dissatisfaction. Unfortunately, these interpretations have received full sanction by some high in governmental authority. Thus the right of labor to organize has been perverted into channels of employer dictation, and collective bargaining has resulted not in collective agreements with organized labor, but in understandings and agreements between industry and the Government. As a consequence labor has been compelled to enter more deeply into the political arena, and employers and workers instead of having been encouraged to meet around the table, have been placed in opposing camps before some governmental tribunal or commission.

The leaders in both groups are fast coming to believe that in the event of an industrial dispute of any kind they must eventually come to Washington and appear before a high court of government officials who will act as judges, jury, prosecuting and defense counsel. As a result, employers and leaders of the workers are beginning to feel that there is little use in trying to get together because eventually they will have to appear before some such court for a final settlement.

Unemployment Insurance

How about unemployment insurance? In the first place we encounter the difficulty of terminology. History records that all attempts to devise some form of unemployment insurance which would be actuarially sound under all types of distress have failed. In long periods of depression, any relief or fund which may have been built up becomes rapidly depleted as there is no income and the whole scheme becomes a government dole. England has had a vast experience in this field and it has concluded to separate these two features. Of course, we must take care of people who cannot find employment but who are willing and anxious to work. This is both a social problem and a social obligation. However, what we need most is some kind of a scheme which will guarantee employment to all who are willing to work. All the worker asks is a chance to work—he doesn't want charity in any form no matter how high sounding the name under which it is administered may be.

Labor Favors Capitalism

It would be difficult to find two people to agree on a definition of capitalism. If by capitalism is meant a system of private ownership and control of those activities which are not natural monopolies, or which in time come to occupy this relative position and wherein reward is based upon private initiative and personal adventure, then I believe in it, and organized labor with the exception of a small minority believes in it. Mind you, I recognize, and I think that every intelligent person recognizes, that our system has developed certain weaknesses, that much of our industrial and economic machinery has become obsolete, that we need to grind out the valves and take the carbon out of the cylinders. This does not mean that we have to junk the whole system and adopt an entirely new social, economic and political system which while it is called "new" is as old as government itself and has an unbroken record of failure wherever and however it has been tried. Unfortunately, the burden of these failures always falls most

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Happening in Washington

By E. K. T.

Congress may give you plenty to worry about, but it starts off with an antidote for worry. Abrogation of the rule of the House of Representatives that 145 petitioners can get a bill out of committee comes pretty near putting the wild men into legislative cold storage. Now it will take a majority, or 218 members to break up routine procedure. Even if the Republicans should act as an obstructive unit it would still be necessary to rally 115 Democrats and third-party men behind a revolt before the House could get a chance to consider a measure not reported by a committee. Moreover, the regulars have the speaker, the floor leader, the rules committee and pretty much the whole list of committees on their side—and that is the President's side.

Harris & Ewing Photo

Harold L. Ickes
Rallying Power of the Radicals

Democratic leadership has entirely broken away from the old idea that the House is a free deliberative body. Leadership is now a cold oligarchy which can only be broken down by an overwhelming revolt. And every attempt at such a revolt will be shot in its tracks. Shrewd leadership will, of course, compromise at times; and bills without the President's indorsement, and amendments to those that have his indorsement, will occasionally get by. But nothing terrible so long as the leaders are not overthrown. They will not be overthrown at this session.

The bonus payment is the outstanding proposition which will be met by concession, compromise, and even surrender, instead of force.

Do not expect too much from the four-billion-dollar public works program. While the amount is huge it represents no more than 8 per cent of our total business turnover last year. Moreover, its effects cannot be immediate. The funds will not be available before July and considerable time will elapse before it is spent.

Business may feel the effect of orders for big public projects in the second half of the year but they will no more bring prosperity in themselves than the last four billion did. Manufacturers of construction raw materials will naturally be the largest beneficiaries.

National minimum wage is beginning to find favor with some of the ambassadors of business at Washington. As price control goes into the sewer, executives are beginning to look for a practical price bottom. They have that in the minimum wages of the codes—when they work—but not generally or dependably. After all, a Code Authority is not so terrible to the chiseler. It is believed that a national minimum wage law can be enforced. If wages can be held up they will check price cutting of the destructive kind.

Strike threats in motors, steel and elsewhere are bringing business leaders and labor leaders together with a view to finding common ground. Farm leaders are also sitting in. Split in the ranks of the American Federation of Labor arouses the specter of a subversive labor organization succeeding it. American Federation of Labor is the only free national labor organization which is not in effect a subversive political party.

Basic economic philosophy of the Federation has been sound. It has for many years taken the position that labor should not obstruct production, that being the only source of wages, and its growth the main hope of higher pay. President Green's stubborn stand for a short-day at full-pay is making his economists wince.

Curiosity is rampant as to what will be the setup of the consolidated administration of public works and relief, which is to put 7,000,000 men on public and private payrolls. Harry Hopkins is expected to be the head; and, if so, Mr. Ickes' separation from the Government may result. Ickes has become the rallying point for the rabid radicals and social soreheads of the Government, and some of his staff are said to have pestiferously appointed themselves the Paul Prys of the whole shooting match. Ickes has hoped that recovery expenditures would be largely in direct government housing, but Hopkins has had the same idea as a relief measure. Both have been building rehabilitation housing. Business gets along better with Hopkins than with Ickes, although the former's one-time policy of treating strikers as on the same relief basis with men involuntarily out of work was bitterly resented. The consolidated job will call for the appointment of a man of great executive talent, surrounded by strong assistants, to whom both responsibility and authority shall be entrusted.

The job will be the biggest in the Government, next to the President's. It may go to Moffett or Walker but more likely some proved executive from outside the present body of the President's lieutenants will be chosen.

Recovery is now the President's dominant motive. He feels that his ideas of economic reform are pretty well established and that the big task of the moment is to utilize the power, influence and resources of the Government to encourage business to function. No better symbol of his devotion to this objective could be found than in the appointment of an outstanding industrialist to head the last great charge of the Administration on the depression.

Definitive price control is marked for ousting from

N R A. But the threatened 30-hour week would neutralize this reform. At best it would not give employment to more than 750,000 men, would reduce the purchasing power of those 30,000,000 who now have jobs and would shackle industrial reflation when it finally gets under way.

Durable Goods Committee met in secret conclave last week to consider further what changes in public policy both financial and industrial control will aid in breaking the jam in their industries. Talk centered about the revival of the building industry, and the promotion of the work of the Federal Housing Administration. Some of the tycoons were anticipating a spurt from the new recovery-relief program.

Financing plans of that administration have met a check in the fact that the amended laws regarding banking affiliates are keeping banks from subscribing to stock in the mortgage associations.

cent? We jumped off the gold standard—we may be kicked back onto it.

Excise tax on checks is the only temporary tax left out of the 1935-36 budget. It amounts to about $22,000,000. When we were pulling out of the depression of 1920-21 taxes were reduced $800,000,000 a year by the revenue act of 1921. Unemployment was estimated at 5,000,000. Federal expenditures for the fiscal year 1923 were cut $1,800,000,000 below those of 1921. In those days we saved out of depressions, now we squander out of them. We took the right course in 1921—and yet we may be taking the right course in 1935.

And yet I wonder if—taxation up and expenditures and debt mounting—Secretary Morgenthau would predict recovery as confidently as Mr. Mellon did to me in June, 1922—with taxation down, expenditures down, debt down.

Washington Sees—

Green Congress thrown and tied by President's Pretorian Guard.

No organized revolt at this session, but mass mania is a menace.

Crackpot social legislation threatening.

Rank and file of Congress secretly or openly for high-speed manufacture of money.

Credit inflation impossible until business swells up.

Possible "separation" for Ickes.

Big man to boss four-billion dollar, seven-million men job.

Home Loan Banks forgotten with $163,000,000 to burn.

Hot oil decision of little significance or effect.

Capital, labor and agrarians trying to find common ground.

Thirty-hour week grim threat to business recovery.

Labor economists at odds with Green, A. F. L. mogul.

Increasing business activity of next six months as lasting through the year.

Near boom for consumption goods.

President staking everything on colossal recovery effort.

National minimum wage attracting business favor.

Home Loan Bank Board's pathetic complaint that its resources are used only to a limited extent has revived the suspicion that the country is not in a building mood and the fear that it will not be until the general business situation is much improved. This affords the advocates of even greater spending than the President proposed an opportunity to insist that "priming" must go on until unemployment is eliminated. Who knows what the Home Loan Banks (Hoover's children) are? Who would believe that they have $163,000,000 to lend for home-building—and no takers?

Business outlook for consumption goods is bright. Program of substituting work for direct relief as much as possible means sustained buying power having its sources in the Treasury.

Some of this buying power must eventually trickle down to the capital goods industries. Consumption goods industries and trades have the best year since 1930 ahead of them.

Chiselers in the lumber industry—bereft of its price control — are wondering whether they chiseled needlessly. So far, the suspension of minimum prices under the lumber code has not resulted in a general price collapse, but manufacturers who sacrificially observed code prices are now getting the business again.

Talk of Credit Inflation amounts only to this—that governmental policies—borrowing and expenditures and changes in banking laws—create more fuel for inflation if it starts. Only business expansion or a change in public psychology can start a credit inflation. Such inflation will impend only after business speeds up. We had credit inflation during the war—and later in securities and real estate, when a speculative confidence mania corrupted the public and the bankers.

We are far from such mania now. But even a comparatively small dilution of formal money might create a flight from money to property and a blazing inflation of prices.

Nobody dare believe that the Supreme Court will decide that gold contracts in bonds and mortgages must be upheld, but if it should do so, the only answer might be a precipitate return to the old gold standard. While it would take 69 per cent more present dollars to be the equivalent of the former gold dollar, wholesale prices have advanced only 28.7 per cent, since March, 1933, and only a part of the advance is due to devaluation of the dollar. Prices would not fall to the 1933 level. Which would be the greater net evil—to mark up gold debts 69 per cent in present dollars or have price levels fall, say, 15 per cent? We jumped off the gold standard—we may be kicked back onto it.

Danger of Money Inflation is that collossal borrowing will give plausibility to the Arthur Brisbane idea that printing press money is merely a way to borrow from the public without interest and without maturity, whereas issuing bonds is creating a safe field for investment for the "over-privileged" few who have surplus cash.

We were never so near to fiat inflation in this generation as we are now. The will for it is in Congress. Before this session is over President Roosevelt will have to fight it with might and main.

"Doing Something for Silver"

It Brings Disaster to the Chief Silver Nation and Checks Our Trade with China

By JOHN C. CRESSWILL

THE United States ostensibly embarked on a policy of restoring silver to its place in the sun as a monetary metal as a means of conferring the blessings of abundant international trade on the billion benighted natives of various parts to whom silver was supposed to be the only money of commerce. Incidentally, of course, but only incidentally, it was pointed out that this righteousness toward the heathen would be rewarded by great trade riches for the United States.

But the silver devotees, whom abundant silver money in America was to save, do not seem to appreciate their salvation, or at least the processes of it. Not long after the Treasury Department began to buy foreign silver the Chinese, the only great nation in the world on the silver standard, began to show evidences of alarm over both the effects of the Pittman silver agreement adopted at the London Economic Conference in 1933 and of the U. S. Silver Purchase Act of 1934. In August, 1934, Dr. H. H. Kung, Chinese Minister of Finance, complained as follows:

1. China signed the silver agreement with the understanding that it was designed primarily to assure the stability of the price of silver.

2. Under the Silver Purchase Act "it would now appear that the interests of China and the stability of price of silver are menaced as much as they were by the previous situation."

The Minister of Finance therefore said: "In order that China may properly safeguard her currency, which recently has been flowing out of the country to a degree that is potentially alarming, China would appreciate an indication of the probable policy of the United States in the future purchase of silver."

This memorandum from the Chinese Minister received first a wordy reply from the U. S. Consul at Shanghai, which said very little.

In the latter part of September Mr. Sze, the Chinese Minister at Washington, wrote to Secretary of State Hull saying in part: "Since 1931 the rising of silver valuation in terms of foreign currency has involved severe deflation and economic losses to China and has dislocated China's balance of payments, in part at least, by hampering exports. Recently the stimulation of silver prices abroad, to which exchange has not fully responded, has caused serious drain of silver, creating great alarm. The silver exports of this year to date are over three times greater than any previous full year."

In gentle protest against the American policy of purchasing silver at higher and higher prices, Mr. Sze said: "Although influential American circles advocate higher silver prices, the Chinese government, of course, makes no assumption concerning the American policy in this regard." But, he continues: "China is certain that the American government desires to avoid any action that may aggravate present conditions and would co-operate to prevent further rise and maintain the stability of silver, which the London agreement contemplates."

Mr. Sze concluded by intimating that China might be forced to abandon the silver standard and eventually go to a gold basis and blandly suggested that the United States might co-operate to that end by trading some of its excess gold for some of China's silver.

A little later Mr. Sze, prompted by the government at Nanking, bluntly asked Secretary Hull: "Could not the American government for the present restrict its purchase to silver already in America to avoid further promoting the drain from China?"

Poor Mr. Hull could do little but say that the silver purchase law was a law and that the means used by the President in carrying it out must be consistent with the achievement of its general objective. As for trading gold for silver, Mr. Hull was of the opinion that that subject might be explored. The "exploration" is apparently still going on and in the meantime, according to all the evidence from China, official and unofficial, Americans and Chinese, the continuation of silver purchases by the United States, at high, if

A Chinese "Joker" in the Silver Deck

Great silver jubilation greeted the announcement that China had ratified the Pittman silver agreement—but it happened that the U. S. State Department did not publish the modifying provision at the time the ratifications of China and the other interested countries were announced. After the Chinese Minister of Finance had directed attention to this reservation it was found that China had really agreed to nothing. Here is the text of the "lost" reservation.

"In ratifying this Agreement, the National Government of China declares that as silver is the basic monetary standard of China, the National Government will consider itself at liberty to take whatever action it may deem appropriate, if, in its opinion, changes in the relative values of gold and silver adversely affect the economic condition of the Chinese people, contrary to the spirit of stabilizing the price of silver as embodied in this Agreement."

not higher, prices, is gradually accomplishing the ruin of China.

Robbing China of Money

A profound monetary crisis has arisen in the celestial empire because of the effects of the U. S. Silver Purchase Program. The Chinese government has undertaken to protect the country's monetary system through taxation and an equalization charge on silver exports. But that has not sufficed. Silver is worth so much more outside of China than in, that smuggling silver out of that country has been on a scale recalling the former exploits of liquor boot-legging in the United States. The Chinese people who are not in the boot-legging game have taken to converting paper money and bank deposits into silver for hoarding.

Because of exports of silver, legitimate or illegitimate, and hoarding by the fearful denizens of the Chinese hinterland, silver stocks in Shanghai have been reduced about one-half since last May. The result of the disappearance of silver has been an exorbitant increase in interest rates and a collapse of prices; there have been runs on the banks, and two have failed.

The appreciation of Chinese, that is, silver money, is having the same effect in China as the appreciation of dollars (accompanied by depreciation of prices) would have in the United States. Chinese prices have, generally speaking, been declining ever since silver began to rise. The result has been, besides the banking troubles, a tremendous restriction in the output of Chinese industries.

The crisis in China, which has been brought about by the rising price of silver, might be endurable in the United States if this country were profiting by China's troubles. Actually, though, it appears that our silver policy has not increased our exports to China. While, for the first eleven months of 1934 the total value of United States goods consigned to China was officially reported as $40,818,505, as against $34,592,561 in the first eleven months of 1933, it appears that a large portion of the goods consigned to China never arrived there, being undoubtedly diverted in transit to better markets.

Silver Adventure Benefits Nobody

This appears to be shown conclusively by the official Chinese figures of imports actually received as valued in China dollars. These figures, obtained by courtesy of the Chinese minister, give the total imports of China in 1933 as 1,267,000,000 China dollars, and for the corresponding period of 1934, 966,000,000 China dollars. At the same time the total exports, according to Chinese figures, were considerably larger in 1933 than in 1934. In other words, the increase in price of silver has been followed by a restriction of Chinese international trade both ways. Taking the United States by itself, the Chinese report that imports in 1934 were 22,000,000 China dollars less than in 1933.

Some silver members of Congress have recently been talking about a great increase of exports of textiles and lumber from the United States to China, the lumber movement on the Pacific Coast even having been rated by them as a boom. According to the figures supplied to Mr. Sze from Nanking, the boom in exports of American textiles to China is in fact a 20 per cent decline in 1934, and the lumber boom is about a 10 per cent falling off. The Chinese figures do show an increase in imports from the United States of automobiles, trucks and buses—a very

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Minister Sze States the Facts

Sao-Ke Alfred Sze

SAO-KE ALFRED SZE, Chinese Minister to the United States, while refraining from *comment* on the effect of the U. S. silver policy on China while the subject it under discussion, authorizes the following approved statement of facts by THE MAGAZINE OF WALL STREET:

The fall in prices in China due to the increased price of silver has brought about a trade depression and bank crisis similar to that existing in the United States in 1932 and the first part of 1933, when prices were falling.

* Production in many lines of goods has greatly fallen off. At the same time, Chinese exports have declined, owing to the fact that the increasing price of silver has made Chinese currency dearer in terms of foreign currency, consequently imports have also fallen off. The depression abroad and the appreciation of silver have caused a decrease in the amount of emigrant's remittances in Chinese dollars, making still larger the amount of silver it is necessary to export to settle trade balances. Exports of silver have increased, leading to money scarcity and measures to curb them.

It is to be noted that China is not a silver-producing but silver-consuming country.

The Minister of Finance, Dr. H. H. Kung, has just cabled the following trade figures for the first eleven months of 1934 and 1933:

	1933 (Ch. $)	1934 (Ch. $)
"Total imports	1,267,000,000	966,000,000
"Imports from America	274,000,000	252,000,000
"Total exports	562,000,000	492,000,000
"Exports to America	106,000,000	87,000,000
"Imports from America:		
"Textiles	1,060,000	810,000
"Timber	12,396,000	11,276,000
"Automobiles	4,012,000	5,956,000
"Trucks and Buses	3,480,000	6,214,000

"The rapid road development in China and generally expanding use increases automobile imports."

Regarding the increase of imports of automobiles, it was explained that China has during recent years very greatly increased its mileage of hard surface or passable automobile roads, leading to an increased use of and demand for automobiles, trucks and buses without regard to business conditions.

* *According to a correspondent of the New York Times recent decreases in production have been: weaving and spinning* 25%; *hatmaking,* 30; *silk filiatures,* 80; *dyestuffs,* 40; *printing,* 45; *painting,* 40; *electric appliances,* 45; *ironworks and glassware* 50; *and rubber goods,* 35.

Significant Foreign Events

By George Berkalew

Foreign Representative of The Magazine of Wall Street

Italy and France Agree

The agreement reached by M. Laval and Premier Mussolini is the highlight of recent developments. Its outstanding significance is that the cause of European peace is advanced by the very fact that the isolation of Central Europe, the tinder box of the Continent, is underway. Germany's claws are at least partially pulled. France breathes easier and sees in the combination of Germany's menacing internal political difficulties and the check on her expansion the possibility of a disintegration of the present Germany into a number of smaller states. To this end she was willing to pay the price of the African colonies which she ceded to Italy. Was the price enough to hold Italy in line? Probably it was, for despite his occasional war-like utterances, Il Duce is not anxious to be involved in any wars unless he is almost certain of victory. No dictator can hold his power in the face of defeat on the battlefield.

As might be expected, Germany is not pleased by this pact. She sees its objectives too clearly. She is apprehensive as she observes the favor and co-operation which Britain is currently according the Latin countries. As a consequence, her continued resistence to any multilateral disarmament agreement is almost a foregone conclusion.

* * *

1935—Restricted Recovery

While military peace seems temporarily secure it is possible to believe that the spirit of autarchy will become sufficiently subdued to free the fettered hands of international trade, or steady the faltering steps of international finance. Monetary stability is dimly on the horizon as Attorney General Cummings puts it, but *only* dimly.

At the turn of the year, world trade is only one-third of its 1929 value on a gold basis. At the turn of the year the French franc is overvalued in terms of the pound, and the pound overvalued in terms of the dollar. At the turn of the year, the policy of price inflation practiced in countries of debased currencies has proved ineffectual, while policies of price deflation have proved equally ineffectual in countries of gold currencies.

By putting the cart before the horse, governments have been preoccupied with price manipulation rather than with the underlying causes of depression; namely, a revival of the demand for goods. And yet the position in the business cycle has improved generally as compared to last year. The tide has evidently turned even though a wave of prosperity cannot be immediately predicted. In fact, the grave danger lies in a too rapid or artificially generated rise in business and speculative activity. The usurption of power by political opportunists continues to drain the treasuries in the shortsighted effort to provide uneconomic employment. Sovietism, Nazism, Fascism, and finally Rooseveltism, are predicated upon this single principle. Even England and France, the two countries retaining some vestiges of the old-fashioned parliamentary system, have resorted to paternalistic expediency. These expediencies may be justified to nurse the world citizenry through the critical period of the coming year, but cannot be expected to fulfill hopes of permanent peace and prosperity. They do not go to the root of the trouble.

* * *

France—Flandin Fights for Time

In France competition continues between the forces of economic rehabilitation handicapped by adherence to the gold standard and the ancient rule of political corruption, over which the danger of public opinion is precariously hanging.

The underlying sickness in the French system is the state of the judiciary. The courts are dead roots at the foot of the political tree which is striving so vainly to grow the new twigs of Flandin's economic and financial reforms. Vainly, because the sap of working capital has ceased to flow into the various branches of business enterprise. The chain of circumstances so frequently overlooked by the trusting brains in government bureaus in France as well as at home, is that the quantum of taxes and revenues is in direct proportion to the quantum of wages and dividends. The constant decline in operating profits greatly embarrasses the government's budgetary program for the coming year. Business stagnation is exemplified by the recent crash of Citroen and the four billion deficit in the operation of the railroads. Most recent statistics showing indices of production, earnings and employment lead many qualified observers to predict that Flandin has not more than six months to lose if financial catastrophe is to be avoided.

Meanwhile, there are signs that the rigid policy of deflation may be somewhat modified. High interest rates and money stringency in the face of large gold reserves have been recognized and a five billion franc note issue is predicted. Incidentally, it was because of his opposition to make such notes rediscountable at the Bank of France that M. Moret lost his active governorship. Such an issue would not in itself be inflationary, but it tends to mark the turn from the deflationary path which all of the gold bloc countries have been following—a path on which none has found any economic relief.

Japan—East, Vulnerable and Doubled, Raises the Naval Contract

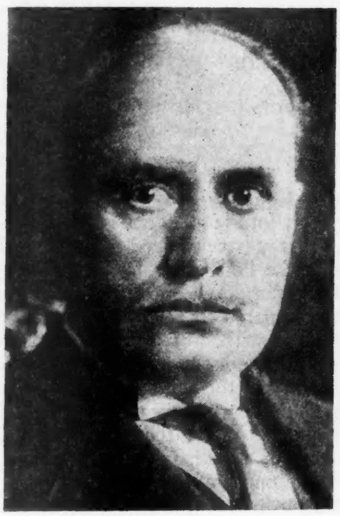
The Japanese denunciation of the Washington Naval Treaty renewed the virulency of a chronic European problem.

At the close of the naval conversations, which weakened to the point of disruption the work of more than twelve years, British sentiment was one of disappointment. However, the London press, reflecting the view of Sir John Simon, assumed a patient tone in the face of the nugatory, not to say negative, results obtained. The preliminary conversations were not intended to aim at a definite conclusion, but to spread the base for future negotiations leading to an agreement. Many points remain unsettled, but the ground is marked for the resumption of conversations. The American and Japanese delegations will return home to consult their governments, while England will deliberate with its Dominions.

Great Britain regrets Japan's withdrawal from a treaty which consecrated efforts promotive of disarmament, permitted large economies to all parties, created a feeling of security and a spirit of pacific co-operation. Foreseeing disaster in the absence of naval tonnage limitations, Great Britain is determined to exert her utmost power for the continuation of such a system. Yet, to this purpose, it cannot sacrifice principles essential to her safeguard and security. With her heavier defensive responsibility in Europe and Asia, not to speak of her other possessions, Great Britain cannot admit the Japanese formula of 5, 5, 5, as equality of security. Once more visualizing the possible dismemberment of her fleet in the event of simultaneous disturbance on European and Asiatic seas, Great Britain advocates the expediency of a basic preventive to be sought in a European agreement about armaments encompassing France, Italy and Great Britain on one hand and Germany on the other.

In France, the Japanese attitude was approved with a sigh of relief. Grown out of humor with the treaty, whose ratification in 1922 is attributed to the liberality of Aristide Briand, and yet unwilling for political reasons to be the joint initiator of its denunciation, France immediately expressed much satisfaction with the opportunity of its liberation.

The French Government expresses its willingness to reenter the naval conversations next Spring with a profound desire for the peace of the world. However, its adherence will be confined to a *new* treaty strictly modifying the principle and terms of the Washington accord. Neither Britain nor the United States can accept any substantial alteration of present naval ratios for their two English-speaking navies are the "Big Stick" of the seas.



International Photos.

Mussolini

Laval

In agreement at last

South American Bonds

In view of the steady improvement which has taken place in South American countries, various factors concerning the bond outlook in regard to services on external debt is of timely interest to the investor. Basically, South American governments depend for their future solvency on a few primary commodities. For example, services on the bonded indebtedness of Argentina is contingent on the trend of the export trade in wheat and meat; Brazil in coffee; Chile in nitrates and copper, and Peru in cotton, oil and metals.

The Argentine financial outlook is particularly reassuring, and the success of refunding and consolidation measures indicates that national credit will be maintained without default. The position of bondholders is further protected by an accumulation in the Conversion Office of 247 million gold pesos. A further important consideration is the fact that the favorable balance of exports over imports increased by 97 million pesos for the first nine months of 1934 as compared with the preceding year.

Conditions in Brazil are less satisfactory. Although the government has adhered to the present debt funding scheme, recent changes in foreign exchange control leaves some doubt as to the treatment of bondholders in the future. The Bank of Brazil now allocates all exchange covers for imports in proportion to purchases of coffee. Thus, exchange will be allotted to the United States on the basis of 46 per cent, Great Britain 15 per cent, France 15 per cent and nine other countries 24 per cent among them. Since Great Britain is a heavy purchaser of Brazilian commodities, other than coffee, negotiations have been initiated to increase the small British exchange quota.

It is feared that the drain on foreign exchange to cover import requirements will in the long run adversely affect the security of funds set aside for servicing outstanding foreign bonds. This statement is of course made on the assumption that a substantial increase in the coffee trade cannot be expected during the coming year.

Briefly, as regards the other South American countries, Chile has made rapid strides in improving her domestic economy as well as in promoting nitrate exports. Onerous credit agreements and obligations in Europe enjoying priority of payment do not warrant the expectation that debt services will be resumed except on a very restricted basis. Both Colombia and Peru have settled their political differences, enjoy favorable commercial balances and have improved budgetary programs for the coming year.

Thus given political stability in South America the key to bond interest payments lies in the future trend of raw material prices which already show an encouragingly firmer tendency.

Pan American Airways Photo

Aviation Has a Chance

By Howard Mingos

Aeronautical Authority

THE aeronautical industry, in which half a million persons invested money because it was romantic, glamorous and as attractive in its golden prospects as any siren who ever enticed the shekels from a skinflint's purse, still has a chance. Muscle-bound by the depression, eyes blackened by cancellation of the air mail contracts a year ago, punched breathless by one unsympathetic Congressional investigation after another, with a few sneaky, off-side cracks from foreign propagandists here who hit below the belt, knocked flat by lack of orders for defense equipment and weakened by a certain amount of official muddling in Washington, the aviation industry, which is the investor's aviation, is still on its feet, somewhat punch-drunk 'tis true, but still on its feet and eagerly seeking an opening for a great big financial comeback. There are several openings now promising to appear within sight momentarily.

A Significant Report

After pummeling the industry with gloves that could have held nothing softer than bricks, so silly were the laws injected into its midriff during the last session, Congress in a lucid moment harkened to the plea of the President and passed a bill which took tangible form in the Federal Aviation Commission which, as this is written, is tying final ribbons to a report based on hearings since last September. If the ribbons do not turn out to be just so much red tape, that report will hold up to the public gaze sometime during the current month a new national policy calculated to soothe smarting wounds and rejuvenate weary wings, provided that Congress looks upon it with favor and translates the report into law. That is one prospect.

It may have escaped public attention, but the fact remains that the Post Office Department is paying for domestic air mail transportation during this fiscal year only $12,000,000 as compared to $19,000,000 prior to the New Deal. That unique method of promoting national recovery has cost the air lines millions in stockholders' equities. It is no coincidence that the aggregate loss sustained by the air lines since last February approximates the difference between mail payments under the new deal and the old. The air-mail shakeup a year ago caught the important lines taking delivery on new, fast and more reliable planes superior to all others in the world, withal expensive to the buyer whose balance sheet drips red ink. The lines had developed their plans for improved service prior to the New Deal. With improved service and a gallant struggle to exist by forcing more rapid growth of passenger and express traffic, combined with an unsatisfactory air mail rate, the lines have become impoverished. They clamor for a new deal, another deal, this time from the top of the pack.

Removed from Politics?

The air mail law passed by the last Congress provided that holding companies must be broken up when related to air mail subsidiaries, also that no transcontinental line might continue to operate lines running north and south. With cases varying, that law has resulted in one common tragedy: It has split up company management, interrupted development plans, disorganized personnel and created much con-

fusion. It has disgusted the shareholders. It is believed that the Federal Aviation Commission can do nothing less than recommend a permanent Federal board to take over and administer all Government functions relating to scheduled air line operations. It is believed that Congress will create such a board, and thus pave the way for its eventual absorption into one big national transportation board, handling railways, shipping, bus and air traffic facilities. The average person believes this will be a great forward step for all transportation. Surely it would take out of politics much of the explosive material on which some politicians seem to thrive. That is another golden prospect.

Air express shipments have increased about 100 per cent during the past twelve months. Passenger traffic has more than held its own; and recently has been growing steadily, encouraged by faster, more reliable and much more comfortable equipment and other facilities of improved service. Night flying has become as simple as flying by day. No time is lost. Three miles a minute from one corner of the country to another is no longer a fancy; it is a fact. Growth of traffic will build up the air line fleets, and reduce the overhead cost of operations per passenger seat mile and per cubic foot of air express space. Air mail can be so handled that it will return profits to both the operators and the Government. Profitable traffic in passengers, mail and express must be considered still another prospect.

The airplanes built in the United States last year were about one-fifth the number produced in 1929, half the annual production of 1930 and 1931 and approximately equal to the numbers of 1932 and 1933. Foreign trade accounted for nearly 40 per cent of the planes, engines, propellers, instruments and other accessories in 1934.

The annual growth of this export trade has been a highlight of the last few years. Not long ago we ranked far behind Great Britain, France and Italy. In 1932 we got our share among the non-industrial nations of the world which need aircraft in ever-increasing quantities. In 1933 the United States sold more than $9,000,000 worth of aeronautical products abroad, not only in South America and Asia, but throughout Europe and the Near East. It was more than the same kind of business by Britain and France combined. Last year American manufacturers sold about $16,000,000 worth of aeronautical products abroad; and this business amounted to nearly 40 per cent of the grand total sales in aircraft products made during the year. Today a number of our American plants are well-stocked with orders from a number of foreign countries.

This business is of vast importance from the investor's viewpoint. Invariably it is good business, meaning that it pays good profits. Despite the fact that foreign competitors, ably assisted by their Governments, offer credit terms ranging from 12 to 14 months, that their prices for equipment, type for type, but not as good, are lower than American prices because of lower wages paid abroad, and despite the fact that American manufacturers actually compete with foreign governments which finance their manufacturers, our aircraft products have no equal anywhere in the world and therefore are in demand, and they are sold on a cash basis. Export business helps to absorb the overhead cost of manufacture and plant maintenance. It tends to reduce the price of equipment sold for domestic purposes and thereby promotes greater use.

Unless Congressional action is contrary to expectations, the holder of aviation securities can rely on:

An increase in manufacturing business in 1935.

A better deal for the air transport industry with elimination of losses in operations.

Further development of the export trade is one of the brightest prospects for the investor. Of course there would be a problem; and it would lie in Washington. One would think that export trade would be the main concern in Washington, that the Government would be eager to help it grow. Maybe. For several months a Senate committee has been pestering the manufacturers of things, some of the things, that in time of war would be useful to combatants. It has touched lightly upon the aircraft industry, ever so lightly. Yet anything that such a committee touches is bound to be on the receiving end of a vital blow; and so it has been in this instance. Some of the aeronautical export trade which was due to come to the United States has been diverted to European competitors. Potential customers of aircraft products had no desire to place orders for equipment when embargoes, restrictive laws and other measures here might prevent deliveries, hold up construction or later prevent them securing replacements, spare parts and accessories for what they had been able to procure from the United States. Rather than take a chance, some of the South American governments switched to Europe, knowing that Europe will never cease helping her manufacturers to sell anything abroad. Now it is not believed that the Washington Government intends to destroy this promising foreign trade.

The able men in the Army and Navy know that the Government cannot build aircraft equipment in its own plants and have it even approach the efficiency, economy and numerical productivity of which private plants are capable, if let alone. They know that selling planes and other equipment abroad does not harm our national defense, even when it is military equipment, although nearly all our exports are for commercial purposes. Quite the contrary. It is known that these sales abroad help to build up our manufacturing industry so that it can be depended upon to take care of our own needs in peace or war.

Congress will probably recognize that European governments are doing all possible to wrest this trade from Americans; and Congress will not legislate it out of existence. That is still another prospect.

When President Roosevelt submitted his budget the other day he asked Congress for increased amounts to be spent on defense aviation. He explained the total increase in the general defense budget in these words: "This increase is due to the current policy of Congress and the executive to make up for the delay by the United States in meeting the provisions of the naval treaties of 1922 and 1930, and to provide replacement and improved equipment for the army."

The budget for the fiscal year 1936, which begins next July 1, provides $12,500,000 for airplanes for naval ships now under contruction and additional $14,000,000 for replacement of naval planes now in commission but obsolescent, $22,138,000 for army aircraft equipment and additional funds for new National Guard planes. That money will trickle down through all the manufacturing branches of the industry. It may not make huge profits, because competition is very keen and any manufacturer will tell you that government business is not very profitable; but it will be money nevertheless, and it will restore considerable strength to many companies, provided of course that Congress passes the appropriation bills and equipment orders are placed. That is another prospect.

(*Please turn to page* 412)

Stock Market Leaders of 1935

Selected on the Basis of Industrial Outlook, Earning Power, Management and Profit Possibilities in an Undiscounted Future

By The Magazine of Wall Street Staff

WE present herewith and briefly analyze nine common stocks which, in the opinion of this publication, should take rank high among the 1935 market leaders in point of appreciation. Among them one will find both speculative issues and equities of investment merit. We leave to the following analyses the individual reasons determining the selection of each.

This presentation, it should be emphasized, does not advise immediate purchase of all of these issues. In the majority, we believe it prudent to defer purchase until somewhat more attractive price levels present themselves. On this point specific opinions are covered individually. When we believe the time opportune we will present buying recommendations in our regular bi-weekly market discussion on those issues of this list not favored for purchase at current quotations.

Commercial Credit Co.

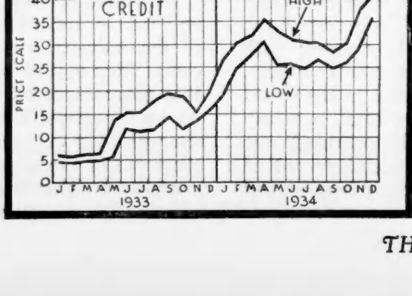
No line of business has had a more remarkable recovery than that of installment financing. There is much evidence to indicate that this recovery will make substantial additional progress this year. The reason is simple: whatever the fears and doubts of capitalists and heavy industry, the ultimate consumer served by this particular business is again buying on time—buying automobiles, refrigerators, oil burners and a host of other durable products for which millions of people cheerfully pledge—and pay—their future income.

The Commercial Credit Co. is one of the oldest, largest and most successful enterprises in this field. In the first nine months of 1934 it earned more than $3,800,000 or $2.83 per share on its 954,052 shares of common stock, as compared with $2,831,000 in all of 1933 and with only $142,335 in 1932, its low point of depression.

A variety of advantageous factors are present in this picture. The company strengthened itself during the depression years by substantially reducing the total of capital obligations ranking prior to the common shares. At the same time it both widened and diversified its field by going into textile factoring at a decidedly opportune time, the recovery since early 1933 in the textile industry having been almost as notable as that in automobiles.

Finally, Commercial Credit, along with others in its field, has had the great benefit of extremely low money rates, a very important determinant of profits for installment financing companies since, in addition to use of their own capital, they necessarily resort heavily to bank credit. Thus, in the first half of last year Commercial Credit purchased receivables in excess of $208,000,000 and on June 30, 1934 had receivables of $113,000,000 outstanding. As of the same date, in addition to its own capital, the liability side of its balance sheet showed unsecured short-term notes of $73,399,000. It need hardly be said that borrowing $73,000,000 for re-lending on installment interest terms at a time when banks are wondering where they can get any return worth speaking of on their surplus resources is decidedly profitable business.

What is this year's prospect? Well, the Federal Government right now is the world's greatest borrower. Its fiscal policies have forced money rates to a level lower than is usually seen in a lifetime. These rates will almost certainly remain very low this year. When the Government can borrow cheaply on short-term, so can Commercial Credit.



The remaining question then is merely that of gross volume. The probabilities are promising. The automobile outlook at present appears to be for sales at least 10 per cent larger than in 1934. Moreover, the upward trend of consumer buying of a great variety of durable household equipment apparent last year continues to point higher, promising further enlargement of installment sales of refrigerators, oil burners, etc. Finally, the textile industry is showing encouraging activity in gross business, if not in net profits for the manufacturers. Textile factoring, it need scarcely be observed, presents less risk than textile manufacturing.

Paying $2, capable of paying more and selling around $42, this stock—preceded by $2,520,000 of bonds and $20,000,000 of preferred stocks—does not, in our opinion, fully discount this year's probable earning power and we favor its current purchase.

Continental Oil Co.

The petroleum industry has been notoriously unstable in recent years, and yet there is a solid basis for buying sound oil stocks because of two fundamental reasons. First, public consumption of gasoline is sustained at a high level and its long-term trend remains upward. Second, the evils of the industry—notably overproduction—tend to be self-corrective.

In the long run, this second reality is of more practical importance than the Government's thus far only partially successful efforts to restore stability. Specifically, depletion is inexorably at work on the troublesome East Texas fields, present sorespot of the industry, even though the exact life of this producing area can not now be accurately predicted. Qualified experts believe no similarly uncontrollable field is likely again to be discovered in this country and have definite technical reasons for so believing.

Under the circumstances sound oil equities would appear to offer attractive speculative promise to the patient buyer who will look beyond this winter season to the rising consumption of the spring and summer and who is content to figure that but for such uncertainties as presently exist he would have to pay higher prices.

This publication's speculative preference among the oils is the Continental Oil Co., a well integrated enterprise with exensive producing, refining and marketing facilities; and whose "Conoco" products are familiar in thirty states.

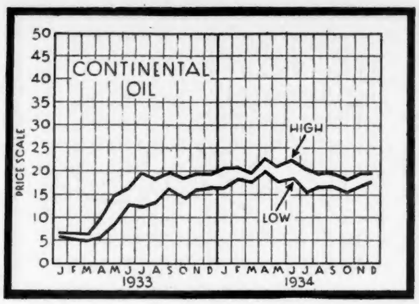
The attraction of Continental is not alone the character of its facilities and the proven ability of its management. There is another side to any corporation which vitally affects the earnings available for its stock and, therefore, that stock's market trend—the side of capitalization, of finances, of depreciation.

This company was a boom-time merger, and its depression job was not only to integrate physical facilities and put them on an efficient basis but to do some wholesome financial housecleaning to the end that overhead and fixed charges be cut down. Forgetting the vanished prices of 1929 it realistically wrote down its capital assets by the sum of $56,000,000 to a present value of $90,000,000. This greatly reduced depreciation charges.

Secondly, it has retired its total funded debt of more than $36,000,000 during the past five years, without impairing its strong financial position, leaving the sole equity in 4,738,593 shares of capital stock. Under only partially satisfactory conditions, it earned 93 cents per share on this stock in the first nine months of 1934.

The most recent balance sheet shows current assets of $35,646,000, including cash items of $9,670,000; as compared with current liabilities of only $6,018,000, a ratio of nearly 6-to-1.

Thus, as presently constituted, Continental Oil is physically and



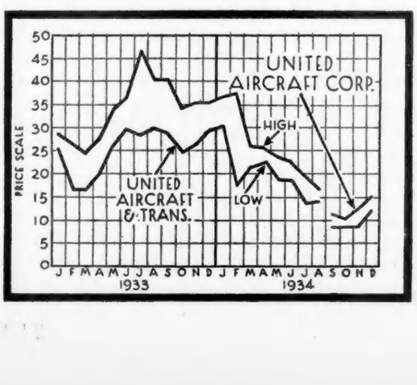
financially one of the most solid enterprises in its field. Paying dividends at the present rate of 50 cents a year, the stock is not excessively priced around $18 per share. We recommend its current purchase.

United Aircraft Corp.

Commercial aviation has come through a trying time, what with the Government abruptly cancelling mail contracts last year, re-letting them on a basis of greatly reduced subsidies and forcing holding companies to go through expensive reorganizations. As if this were not enough, sales of manufacturing companies were hampered by political investigations of past contract-letting for military planes and of foreign sales of war materials.

Fortunately for this infant industry of infinite future potentialities, there is evidence that the worst has been seen. The present year appears certain to bring a more stable era for commercial aviation, and possibly a much brighter era. Detailed recommendations as to future Federal policy toward aviation will shortly be made by the Federal Aviation Commission, appointed by President Roosevelt some time ago.

It will then remain for the President to formulate his own program. We anticipate the new program will be favorable in two notable respects. First, it will certainly remove the industry from its present state of uncertainty and let it know what the rules of the game are to be. Second, it will almost certainly increase the postal revenues of the transport companies. Our reason for the second assumption is that the commercial transport lines are essential to the national welfare and that the majority can exist only for a relatively short time on present postal revenues.



On the probabilities thus outlined, together with the fact that passenger and air express business is continuing to show healthy gains, a sound stake in this industry would appear to hold considerable speculative promise. Our preference is the stock of the United Aircraft Corp., a manufacturing enterprise and one of the three units into which the United Aircraft & Transport Corp. was split last year as a result of the Government's intervention. Of these three—the others being Boeing Airplane Co. and United Air Lines & Transport Corp.—United Aircraft Corp. has the most favored earnings position and, we believe, the best prospect.

This company's leading products are Hamilton Standard controllable pitch propellers, widely used here and abroad on all types of planes; Pratt & Whitney's famous "Wasp" and "Hornet" motors; Sikorsky flying boats; and Chance Vought military planes.

This year's business will depend largely on the Government's purchase of planes, expected to be materially larger than in 1934. On the other hand, the company's sales to commercial lines should at least be helped in the likely event that the Government will repair last year's damage to the extent of securing the continuance of the transport lines under a more stable regime.

In its present form, this company dates only from last September 1; and at this writing the first interim earnings statement has not yet been issued. It starts, however, in excellent financial position, working capital being more than $6,000,000 and cash items more than $2,540,000, these figures comparing with property investment, less depreciation, of $7,449,000. Management and banking sponsorship command high rating. The capitalization consists simply of 2,087,532 shares of $5 par value stock.

Selling around $14, this stock clearly is a speculation pure and simple. But so is any stock in a new and growing industry. We advise that purchase be deferred for the present.

American Rolling Mill Co.

The common stock of the American Rolling Mill Co. is a speculation in national recovery. The profit probabilities in it are large—if this new year maintains even reasonably well the improving trend of indus-

trial activity which is now evident.

Compact and efficient, Rolling Mill has certain advantages over such steel giants as United States Steel and Bethlehem. Like these, it has a diversified stake in heavy steel products which will enable it to participate fully and profitably in ultimate revival of normal activity in capital goods.

Relative to the working assets behind its capitalization, however, it has the added and very important advantage of a more profitable stake in consumers' steel products than have its larger competitors. The improvement in steel demand thus far has been contributed chiefly by these lighter products, especially automotive steel.

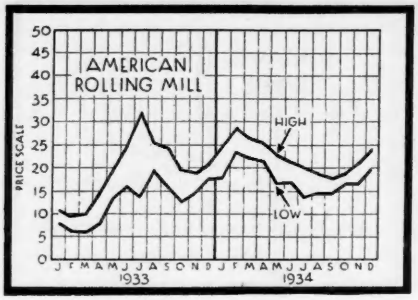
The practical result is that in the present phase of partial economic recovery—marked by but little gain in capital goods—the American Rolling Mill Co. customarily operates at a much higher percentage of capacity than do the giants of the industry.

At this writing, for example, it is making steel at more than 70 per cent of capacity, as compared with less than 34 per cent of capacity for United States Steel. The difference is the difference between good profits for the one and sizable losses for the other.

We have no intention of painting the picture brighter than it is. From present indications Rolling Mill will have an excellent first quarter, due largely to the seasonal activity in the motor industry. The probabilities are that the results for the full year will show a profit, as was the case last year. But the company's average rate of operations throughout the year are quite beyond estimate, depending as it will upon the general course of business.

Nevertheless, the record indicates that this company is so organized as to be subject to very rapid recovery in operations and profits; and in this fact lies the speculative attraction of the stock. The margin between today's operations at better than 70 per cent of capacity and capacity operations is a relatively small one. Even a partial recovery in capital goods, superimposed upon the present upward spiral of demand for consumer products—including automobiles—would find Rolling Mill at or near capacity early in the recovery parade.

This company has never had a chance to show its full potentialities, for the boom years of the 20's found it engaged in an expansion of facilities which quadrupled its assets. The depression prevented it from realizing normal return upon this investment; and also deferred the flow to it of royalties from other steel companies licensed to use its patented continuous-rolling process.



Of possible future promise, the company is now supplying materials to the Steelox Co., which makes standardized steel dwellings and other small steel structures now marketed by Sears, Roebuck & Co.

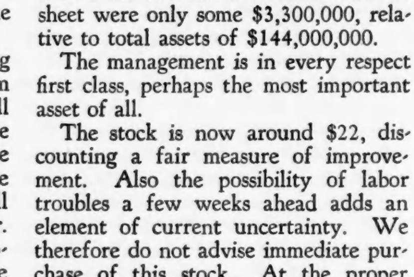
The 1,709,326 shares of common stock are preceded by 19,649 shares of 6 per cent cumulative preferred, on which accumulations amount to only $235,788, and funded debt of approximately $40,000,000. Working capital position appears adequate, ratio of current assets to current liabilities being around 3-to-1, although cash items shown on the latest available balance sheet were only some $3,300,000, relative to total assets of $144,000,000.

The management is in every respect first class, perhaps the most important asset of all.

The stock is now around $22, discounting a fair measure of improvement. Also the possibility of labor troubles a few weeks ahead adds an element of current uncertainty. We therefore do not advise immediate purchase of this stock. At the proper time, a specific buying recommendation will be given in our stock market forecast.

Schenley Distillers Corp.

Repeal is a year old and the fantastic predictions which were being made for the liquor industry about the time Prohibition was ushered out have long since been forgotten in the presence of stark realities. Rife speculation in liquor and alcohol stocks at rapidly rising prices which began in 1932, has since the summer of 1932 been supplanted by an extended downward movement which did not culminate until late last year. Thus, has history again repeated itself, for this has been the same speculative pattern which has characterized all new industries in their earlier stages. It is now possible, however, to judge the industry, and the companies identified with it, on the basis of actual experience and earnings of the past year.



As to the industry, one is compelled to admit that a single year has not provided sufficient time in which to correct the evils and overcome the difficulties which were inevitable in a new industry and more particularly, one which was born out of a highly controversial issue of national import. Illicit liquor is still being produced in large quantities and high taxes mitigate against anything but a modest lowering of prices. As a result legitimate consumption has fallen considerably under earlier estimates. Competition has been intensified by an increasing number of small distillers and rectifiers.

It is these factors which have combined to account in a large measure for the comparatively low appraisal which the market accords the earnings of the leading companies in the liquor industry. Yet the situation, far from being hopeless, is one which might be materially improved in the coming months. At least the chances that the chaos of the past year will give away to some semblance of order and stability appear sufficiently good to appeal strongly to the speculatively-minded.

Schenley Distillers Corp., if normal standards may be relied upon, is not only in an excellent position to make the best of present conditions within the industry, but it is a safe assumption that when the inevitable weeding-out process of the smaller fry is completed, the company will still hold a rank high among the leaders. In point of size, Schenley is the second largest of the domestic distillers. Annual producive capacity is 20,000,000 gallons. Through various subsidiaries, the company is identified with the principal phases of the industry, including the importation of beers and liquors, and its products include a fully diversified line with rye whiskey, bourbon and gin predominating. Several of the Schenley brands were rather well known even before Repeal, as two of its distilleries operated throughout Prohibition under Government permits supplying liquor for medicinal uses. Other brands have gained wide prominence during the past year through the aggressive sales policies which have been pursued.

For the nine months to September 30, last, the company showed a net profit of $5,335,037, equivalent to $5.08 a share for the 1,050,000 shares of capital stock, which comprise the entire capitalization. For the full 1934 year, the stock probably earned from $6.50 to $7 a share.

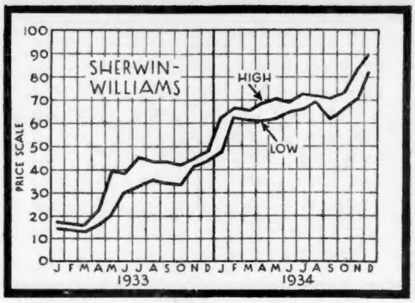
No late balance sheet is available as this is written. It is altogether likely, however, that the company ended its calendar year with a substantial portion of its working capital in the form of inventory and receivables. This reflects, on the one hand, the necessity of laying down substantial quantities of liquor for ageing purposes, and, on the other, the necessity of extending credit to state stores and other distributing outlets. Despite good earnings, therefore, cash may not be sufficient to permit the early inauguration of regular dividend payments, or at least not on a basis comparable with per-share earnings.

Even, however, if it is granted that dividends are not a near-term prospect, and further conceding the presence of a number of factors of indeterminate outcome within the industry, and finally, making due allowance for the fact that earnings in the initial year of Repeal will be subject to modification under more normal conditions, current quotations for the shares would seem to place unwarranted emphasis on these phases. At 27, they are selling at less than five times estimated 1934 earnings and are only some ten points above their 1934 low. Therefore, at these levels the shares would seem to present a speculative opportunity in which the risks are slight in comparison with the possibilities for later appreciation. Current purchase is recommended.

Sherwin-Williams Co.

The Sherwin-Williams Co. is the largest manufacturer of paints and painting products in the country. The business is old established and has been consistently profitable over a period of fifty years. Expansion has been financed for the most part out of earnings, and the company and its subsidiaries currently operate hundreds of plants and stores throughout the United States. Executive offices and a number of important factories are located in Cleveland. In addition, large factories are operated in Chicago, Newark, Pittsburgh, several in California, and elsewhere.

The company's line includes paints, varnishes, lacquers, enamels, disinfectants, insecticides and colors. It is a manufacturer of miscellaneous lead products, including litharge



and lithopone. It is its own source of raw materials, possessing lead and zinc mines in New Mexico and operates its own smelters, linseed oil and acetic acid plants. It makes its own tin containers. Foreign interests include control of Sherwin-Williams Co. of Canada, Ltd., and part ownership of the British Paint Lacquer Co.

A steady upward trend to the company's sales and profits was interrupted by the depression; but even in 1932, a profit was made, although it was not quite sufficient to cover dividend requirements on the preferred. In view of this showing, which was made under conditions where both individuals and corporations were neglecting buildings inside and out, it is hardly surprising that the business staged a remarkable recovery as things turned for the better in 1933.

For the fiscal year ended August 31, 1933, Sherwin-Williams reported a net profit of $3,178,678 after interest, depreciation and federal taxes, while for the fiscal year ended August 31, last, net profit rose to $4,269,499 after similar deductions. These earnings were equivalent, after dividends on the 6 per cent preferred stock, to $3.54 and $5.29 a common share respectively.

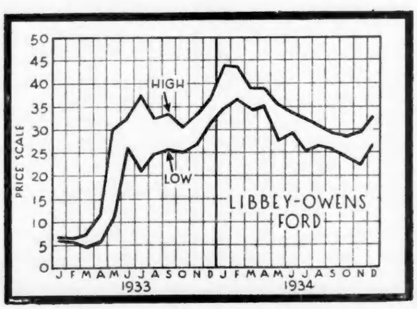
This common and preferred stock is the company's sole capitalization—$15,012,400 in 6 per cent cumulative preferred of $100 par value and $15,889,575 in common stock of $25 par value. There is no funded debt: indeed, the company has never had any.

At the present time, the common stock of the Sherwin-Williams Co., which incidentally is traded both on the Cleveland Stock Exchange and the New York Curb Exchange, commands a price of about $90 a share. It is currently paying a regular annual dividend of $3 a share. While this is not a high return on the capital invested, the company's latest showing indicates that more probably could be paid without difficulty. It may be that the company is waiting the outcome, or at any rate an indication, of the spring painting season and that if this turns out satisfactorily stockholders will receive increased dividends. Sherwin-Williams is very strong financially. As has been said, there is no funded debt and at the end of the last fiscal year current assets totalled more than $28,000,000, whereas current liabilities were but slightly in excess of $4,000,000. Of the current assets $8,700,000 was in the form of cash and United States Government securities.

Despite the fact that Sherwin-Williams has staged so much recovery already, it still appears to face a bright future. Not only are there the possibilities in new building, but of more importance to the company is the general industrial improvement that appears to be under way which, as it develops further, will result in a catching up on painting maintenance of all kinds, deferred during the depression. But before deciding definitely that this is to happen by purchasing the stock, it might be wise to wait awhile and obtain an idea of how the spring season actually is going.

Libbey-Owens-Ford Glass Co.

The Libbey-Owens-Ford Glass Co., is the largest organization engaged exclusively in the manufacture of plate and flat glass. Primarily associated closely with the building industry, the company has, nevertheless, fared much better than the serious and protracted depression in that industry suggests. Fortunately, the company has been a prominent factor in the development of laminated safety-glass, non-shatterable. This product has enjoyed sharply increasing demand right through the depression, with added impetus from the marked revival in automobile production and sales which began in 1933 and promises to be sustained through the current year. Safety glass has thrived on the natural preference of the public, on the promptness with which the automobile industry adopts any improvement which promises added sales appeal and, finally, on the added impetus given by legislation enacted making safety glass compulsory equipment on new cars in a num-



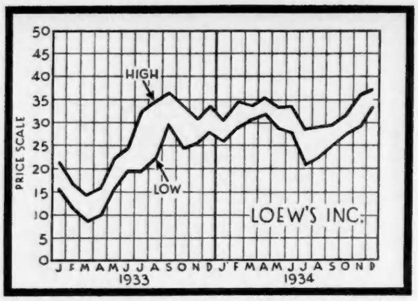
ber of the most populous states.

In 1931, Libbey-Owens-Ford was awarded a 7-year contract by General Motors to supply all of that company's safety glass requirements and in 1932, when the company acquired the patents and plants of the Triplex Safety Glass Co., it inherited about half of the safety glass requirements of Ford, which it has since retained. The Triplex plants, however, were later sold to the Pittsburgh Plate Glass Co. Numbered among the company's other customers in the automobile industry are Packard, Studebaker, Graham and Auburn.

The capital structure of Libbey-Owens-Ford is a simple one, being comprised solely of 2,550,642 shares of capital stock. A $9,000,000-issue of convertible notes sold in 1931, in connection with the acquisition of the plants of the National Plate Glass Co., was retired in 1933. Financial position is excellent; cash and U. S. Government bonds of more than $4,200,000 were substantially in excess of current liabilities, according to the latest balance sheet. Well supplied with working capital, the company should continue to maintain dividends at a liberal ratio to earnings.

Following losses in 1931 and 1932, earnings staged a marked recovery in 1933 and the net profit of $4,200,542 applicable to the capital stock in that year was equal to $1.65 a share. Profits during the past year, however, have been shaved by higher wage and material costs on the one hand and the pressure of competition on the price of safety glass on the other. As a consequence, the stock, in the first nine months, earned somewhat less than in the same months of 1933—$1.11 against $1.44. For the full year, nevertheless, earnings doubtless covered the $1.20 dividend by a fair margin.

With current prospects favoring an increased volume of business, it is not illogical to assume that higher costs will more readily be absorbed. The company is justified in counting on a substantially larger demand from the automobile industry, to which the new Ford models, completely equipped with safety glass, should make important contributions. Although a far less dynamic possibility than shatter-proof glass, it is not unlikely that 1935 will bring some moderate relief from the long period of stagnation in the construction industry, an event which may be calculated to enlarge the demand for plate and window glass. For the longer future there should be promise in a new type of double-glazed window, recently acquired by the company, insulating against heat loss by 50

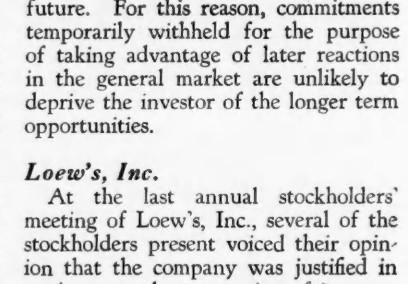


per cent, preventing frosting in cold weather and eliminating condensation. Some such device will be found an essential adjunct of air conditioning, especially in winter heating use.

Whether or not the favorable possibilities which exist for Libbey-Owens-Ford are effective in materially enhancing the company's earning power in the near future, the fact that they are present to a rather definite degree suffices to place the company's shares in that category of stocks which "sell on prospects." Stated otherwise, the market has a tendency to place a high valuation on *current* earning power in anticipation of larger earnings in the future. For this reason, commitments temporarily withheld for the purpose of taking advantage of later reactions in the general market are unlikely to deprive the investor of the longer term opportunities.

Loew's, Inc.

At the last annual stockholders' meeting of Loew's, Inc., several of the stockholders present voiced their opinion that the company was justified in paying out a larger portion of its earnings in dividends. Whereupon, the management pointed out with pardonable pride that conservative policies had enabled the company to maintain dividends throughout the depression and that Loew's was the only film company in the world which had done this. Not only was the company's record in this respect noteworthy, but the more so because of the serious difficulties encountered by other motion picture companies in digesting their



pre-depression excesses, nearly resulting in the complete financial collapse of the motion picture industry.

Two factors have been responsible largely for the company's outstanding achievements in its field—one involving policy and judgment, and the other, productive ability. When, in the years immediately preceding the depression, all of the other major producers were indulging themselves in a virtual orgy of theater buying and building, Loew's pursued a sane policy confining itself for the most part to the acquisition of strategic theater properties. Moreover, the some 200 theaters which comprise the company's chain are held individually or in small groups through a number of separate, locally-financed corporations. As a result, the company has found it much easier to obtain adjustment of rentals, etc., when conditions made it necessary to do so.

In its producing activities, Loew's has been singularly successful in gauging public tastes in moving pictures and the number of profitable feature releases to the company's credit is greater than any other film organization. In the final analysis, the ability of a company to obtain the services of actors, writers and technicians which in combination will defeat the notoriously fickle public whims to which an entertainment industry is subject will weigh heavily on the favorable side in that company's income account. Loew's has not had an unprofitable year in the past decade.

Contrary to general industrial experience, the company established the peak of its earning power in 1930, showing profits for the common stock equivalent to $9.65 a share. As the depression gradually deepened, earnings dropped to $7.43 a share in 1931; $4.80 in 1932; and $2.14 in 1933. In the more profitable years the company paid dividends of $3 annually and in 1930 and 1931 extras of $1 a share were paid on the common.

It now appears that 1933 marked the low point in the company's earning power. The report for the fiscal ended August 31, last, disclosed net income of $7,479,897 which, after allowance for dividends on 136,722 shares of 6½ per cent preferred stock, was equal to $4.50 a share on the 1,464,205 shares of common stock. Subsequently an extra dividend of 75 cents was declared, the regular rate, however, being maintained at 25 cents quarterly.

Evidence of the company's financial strength is afforded by working capital position. Total current assets, including over $12,500,000 in

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Important Maturities in 1935

Bonded Indebtedness of Leading Rails and Utilities Which Must Be Paid or Refinanced in the Next Twelve Months — Effects on Common Stocks Considered

By Edwin A. Barnes

THE railroads and public utilities may definitely count on one bright spot, at least, in their 1935 prospects. Bond maturities this year, while substantial in the aggregate, will be appreciably less than those in 1934 and few seem likely to present insuperable problems to solvent companies.

True, there are some which must devise ways and means not normally identified with refunding operations. Of this latter group, however, it may be said that their chances of concluding satisfactory arrangements for maturing bonds are materially better this year than for several years past. In formulating their plans, they will be able to consider such factors as the greatly improved bond market, less uncertainty over the monetary policies of the Government and a general business prospect which promises at least a moderate improvement over 1934.

Bondholders' Concessions

Various refunding plans have been, or will be, formulated which involve an offering of new securities to bondholders in lieu of cash for the maturing principal; others contemplate partial redemption in cash, with the balance in new securities; and in some instances bondholders will be asked to accept a short term extension of the maturity. Inducements for bondholders to accept such plans may take the form of larger interest payments, convertible privileges, etc. While such proposals must be judged, and action determined, according to their individual merits, it may be stated as a generality that bondholders will have little to gain by withholding acceptance of such propositions as may be deemed equitable and consistent with the obligors' financial status.

Maturing Debts Lower

In compiling the appended tabulations of railroad and public utility current maturities, only the larger issues have been included, not only because of the greater public interest in such issues but because of their greater importance in relation to the other outstanding securities of the particular company involved. Exclusive of advances received from the Reconstruction Finance Corp., and short term loans, railroad maturities this year will amount to approximately \$350,000,000 as compared with about \$450,000,000 in 1934. Of this amount five of the leading roads

Bond Maturities of Representative Public Utilities 1935

Issue	Maturity	Amount	Total Funded Debt	Financial Position	Fixed Charges Times Earned 1934(e)	COMMENT
Great Northern Pwr. 1st 5s (Minnesota Pwr. & Lt.)	Feb. 1	\$6,589,000	\$35,289,000(b)	Fair (b)	1.55(b)	Extended to Feb. 1, 1950.
Cons. Gas, Elec. Lt., & Pr. Gen. 4½s	Feb. 14	13,845,000	64,420,400	Excellent	3.00	To be paid in full
North Amer. L. & Pwr. 5% Notes (North American)	April 1	2,000,000	187,923,500	Good	0.95	Maturity provided for under agreement with North American Co.
Boston Elev. Rwy. Deb. 4s	May 1	8,500,000	74,700,917	Good	1.00(c)	Cash payment in full anticipated.
Northwestern Elec. 1st 6s (American Power & Light)	May 1	6,896,900	6,896,900	Restricted	1.15	Extension or partial payment probable.
Houston Elec. 1st "A" 6s	June 1	3,923,200	4,300,000	Restricted	0.75	Payment in full doubtful.
Middle West Utilities Conv. 5s	June 1	10,000,000	....	....	....	In default. Reorganization proposed.
Keystone Tel. Phila. 1st 5s	July 1	4,000,000	9,900,000	Restricted	1.00	Merger negotiations with Bell Tel. of Pa., may solve company's maturity problem.
New Orleans Pub. Serv. Gen. 4½s (Elec. Power & Light)	July 1	11,808,800	54,600,000	Fair	1.10	Bonds to be extended to 1942 with 5% coupon. Deposit.
Portland Gen l Elec. 1st 5s	July 1	6,615,000	53,647,000	Fair	1.30	Subject to approval of refunding bondholders, issue will be extended.
Laclede Gas Light 5½% Notes	Aug. 1	3,000,000	36,000,000	Fair	1.15	Full payment doubtful; extension likely procedure.
Standard Gas & Elec. Cv. 6% Notes	Oct. 1	9,826,500	73,649,500	Improving; bank loans reduced	1.05	Reported to be planning to refund both issues with a 6% issue convertible into stock of Philadelphia Co.
Standard Gas & Elec. 6% Notes	Oct. 1	14,823,000	do		do	
Lehigh Valley Transit 1st 4s (National Power & Light)	Dec. 1	2,690,000	10,983,000	Good	1.05	Fundamental disadvantage of traction industry casts doubt on full refunding operation.
Lehigh Valley Transit 1st 5s	Dec. 1	1,987,000	do	do	do	

(b) Parent company. (e) Estimated. (c) Virtually guaranteed by State of Massachusetts.

are obligated to the extent of about $100,000,000. Public utility maturities will total approximately $216,000,000 as compared with $268,000,000 in 1934. Moreover, in the case of the public utilities some $30,500,000 of 1935 maturities were anticipated by calls announced last year.

The largest single railroad maturity this year is the Seaboard-All Florida 1st 6's, and obligation of Seaboard Air Line amounting to $33,505,000. This issue, however, is in default at present and no action prior to a general reorganization is to be expected.

The Colorado & Southern Ref. & Ext. 4½'s totalling nearly $29,000,000 ranks second in size. There has as yet been no official announcement of the manner in which this maturity, which comprises about half of the road's total funded debt, will be met. The bonds are secured by a first mortgage on important mileage, mileage in fact, which is regarded as the most productive from the standpoint of earnings. The indenture provisions of the road's junior mortgage, however, do not permit the company to extend the maturing bonds and there is no alternative but to pay off the bonds in cash or offer holders refunding bonds. It is altogether likely that the latter course will be pursued, with holders being offered an added inducement either in the form of a modest cash payment or new bonds with a larger interest rate. Such factors as the absence of any floating indebtedness and the road's strong affiliations (over 70 per cent of the stock is owned by the "Burlington," which in turn is controlled jointly by Northern Pacific and Great Northern) strengthen the belief that no serious trouble will be encountered in providing for the maturity. In the circumstances, and giving weight to the road's potential earnings prospects, neither bond nor stockholders need disturb their holdings because of this maturity.

Refunding Probable

New York Central must provide for $21,500,000 of bond indebtedness due this year. Of this amount the $12,000,000 of 6 per cent debentures is the largest, with the balance accounted for by several leased line obligations. The latter represent important mileage and should be easily taken care of, doubtless through the sale of refunding bonds. Despite the substantial borrowings of the road, its credit position has not been unduly strained and further financial assistance can probably be counted on to provide for the maturing debentures. Whether the road elects to make a partial payment in cash or offers new bonds for the entire issue, it is difficult to conceive of any serious obstacle in meeting the problem satisfactorily. While the shares of New York Central have been relegated from an investment to a speculative category, it is difficult to envisage any general business recovery which would not redound favorably to the road. Moreover, the nature of the road's capital set-up is such that earnings on the stock could rise rapidly once they have recovered to a point to permit coverage of fixed charges.

Maine Central is confronted with the problem of meeting maturities aggregating some $20,000,000—the major portion of the road's total funded debt. While earnings having been maintained fairly consistently throughout the depression, financial position is impaired by an excess of current liabilities over current assets. Favorable developments involving the railroad situation, as a whole, would be a timely aid to the road in meeting its current financial problems but on the face of the present situation it appears likely that it may be necessary to enlist the aid of bondholders to the extent of accepting an extension. The situation, although not precarious, is reflected in the current low levels for the common and preferred shares of the road, and it is this condition rather than any prospect of a marked improvement in their earnings position which must supply the basis for their continued retention.

Current maturities of the Erie are such as to cause little concern either to the road or its security holders. While the road has borrowed rather heavily from the R F C and others, these loans have not strained the company's credit position and earnings, both in 1933 and 1934, were sufficient to fully cover fixed charges. Furthermore, if the recent forecast made by the management in connection with a loan application to the R F C is borne out, revenues and earnings are due for considerable improvement this year. The maturing obligations are a first mortgage on valuable leasehold properties and, should the road desire to do so, holders would in all probability consent to an extension, but it would not be surprising if these maturities were refunded in the conventional manner. While speculative, the basis for a constructive attitude toward the road's shares, including both classes of preferred, is confirmed by such considerations as the road's good depression record, the importance of the territory served, and the favorable longer range earnings potentialities.

Maturity Problem

The maturity problem of the New York, Chicago & St. Louis is in part a recurrence of the one which confronted the road in 1931, inasmuch as the current maturity is that portion of the 1931 obligation which was not paid in cash, holders at that time receiving 25 per cent in cash and a four-year extension of the balance. Despite the fact that earnings and finances of the road have shown considerable improvement, in response to the excellent recovery of the automobile industry, it is unlikely that the road will be in a position to meet a $15,000,000 maturity fully in cash. This year, however, promises to witness further gains by the automobile industry, which, if accompanied by constructive events in the railroad situation as a whole, would do much toward insuring the success of the road's refunding problem. Whether or not, however, the road is able to make payment in full or again seeks extension of some part of the notes, progress is being made in the right direction, with the prospects of continuation sufficiently promising to warrant both the co-operation of noteholders and the retention of speculative commitments in the preferred and common shares.

Of the other roads preparing for sizable maturities this year, there is none which is expected to experience any difficulty. The strong credit standing of such roads as the Atlantic Coast Line, Pennsylvania and Bangor & Aroostook would seem to preclude any doubt as to their ability to meet maturities in full. From this stockholders may draw justifiable assurance.

Baltimore & Ohio offered holders of the Morgantown and Kingwood 1st 5's, which became due on January 2, the privilege of exchanging these bonds for the B. & O. Refunding & General 5's. All things considered, this offer is an acceptable one and holders of the maturing issue are warranted in making the exchange. B. & O. did not fall far short of covering fixed charges last year and would have done so had not operating costs been so much larger. While financial position of the road is restricted, cash is considered sufficient for immediate needs and the general credit standing of the system continues good. The industrial territory served by the road is capable of producing a substantial gain in traffic and earnings with the further recovery of business and speculative holdings of the common and preferred shares are not without promise for the longer term.

Standard Gas Has Large Maturity

In the public utility group, Standard Gas & Electric Co., is confronted with the largest maturity this year. On October 1, the company must provide for nearly $25,000,000 of 6 per cent notes. In anticipation of this large financial operation, the company recently omitted dividends on the $7 and $6 prior preference shares in order to conserve cash. Subsequently all bank loans were paid off. While no official announcement has as yet been made, it is reported that the company plans to offer holders of the maturing notes a new issue bearing the same coupon rate and convertible into the shares of Philadelphia Co., a leading subsidiary. It is further reported that the new issue will mature in 1945 and the conversion feature initially will be on the basis of 80 shares of Philadelphia Co., common for each $1,000 new debenture. While revenues of Standard Gas & Electric have shown moderate expansion, the gains have been insufficient to offset increased costs and taxes. Some of the company's subsidiaries are beset with rate uncertainties and the threat of municipal ownership, while others are piling up dividend accumulations on their preferred stocks or are in no position to pay dividends on their common stocks. Add to this the governmental threat against public utility holding companies, and the complete picture is not very reassuring. For the present, however, holders of the maturing debentures seem warranted in awaiting developments. The various preferred issues and the common stock, on the other hand, are faced with an uncertain future and holders must be prepared for an extended period of no dividends, during which time the position of these issues may or may not be improved.

No Difficulty Here

Provision for the $13,845,000 maturity of the Consolidated Gas, Electric Light & Power Co., of Baltimore has already been made by the sale of $18,000,000, 3¾ per cent bonds in 1934. Last year this company earned over $4 a share on its common stock, covering the $3.60 dividend by a comfortable margin. Finances are strong and the company is not bothered by the many difficulties which are troubling utilities all over the country. Thus, not only do its various bonds command a high investment rating, but its common stock is a worthy income medium.

Of the important utility maturities, only two others seem likely to be paid in full, at this writing. These are the North American Light & Power 5 per cent notes and the Boston Elevated Railway 4 per cent debentures. The former will be provided for by the North American Co.,

(Please turn to page 414)

Bond Maturities of Representative Railroads 1935

ssue	Maturity	Amount	Total Funded Debt(a)	Borrowings As of Dec. 1, 1934 (000's omitted) PWA	RFC	Others*	Fixed Charges Times Earned '34(e)	COMMENT
Iowa, Minn. & No W. 1st 3½s.. (Chicago & Northwestern)	Jan. 2	$3,900,000	$346,600,000	1,400	40,530	5,000(e)	0.50	Holders received 50% in cash and balance in Gen'l mtge. bonds of Chicago & Northw't'n
Morgantown & Kingwood 1st 5s (Baltimore & Ohio)	Jan. 2	1,500,000	706,000,000	4,134	46,606	3,528	0.95	Exchanged for Ref. & Gen. 5% bonds of B. & O. Acceptance of offer advised.
N. Y., Pa. & Ohio Pr. Ln. 4½s.. (Erie)	Mar. 1	8,000,000	309,421,559	13,246	13,400	6,754	1.05	Plan for partial payment and extension likely to be formulated.
Northern Maine Seaport 1st 5s (Bangor & Aroostook)	April 1	2,000,000	16,633,000	None	None	None	2.10	Will be retired in full.
Boston & Albany Impv. 4s..... (N. Y. Central)	May 1	2,000,000	679,811,500	2,500	27,499	66,573	0.90	Full payment probable.
Cleveland & Marietta 1st 4½s. (Pennsylvania)	May 1	1,065,000	675,642,000	45,956	None	None	1.15	Full payment probable.
Colo. & South. Ref. & Ext. 5s..	May 1	28,978,900	57,538,000	None	None	None	0.75	Importance of mileage and strong affiliations of road suggest that no difficulty will be encountered in meeting this maturity.
N. Y. Central Conv. Deb. 6s...	May 1	12,060,200	See Above	See Above			0 90	May be met partially by cash and/or extension
Toledo & Ohio Cent. Gen. 5s.. (N. Y. Central)	June 1	3,000,000	See Above	See Above			0.90	Full payment probable.
Toledo & Ohio Cent. 1st 5s ... (N. Y. Central)	July 1	3,000,000	See Above	See Above			0.90	Full payment probable.
Wilm'g'n & Weldon Gen. 4s, 5s. (Atlantic Coast Line)	July 1	4,000,000	152,357,000	None	None	6,500	1.00	Full payment probable.
Seaboard—All Florida 1st 6s... (Seaboard Air Line)	Aug. 1	33,505,000	160,000,000	None	None	None	0.25	In default—no action.
Long Dock Co. Cons. 6s....... (Erie)	Oct. 1	7,500,000	See Above	See Above			1.05	May be met by short term extension and a partial cash payment.
N. Orleans Tex. & Mex. Inc. 5s (Missouri Pacific)	Oct. 1	2,567,500	400,556,000	None	23,135	25,598	0.40	No action.
N. Y., Chic. & St. L. 6% Notes	Oct. 1	14,962,000	162,000,000	4,809	15,512	4,219	1.00	Improved earnings strengthen issue but full payment seems unlikely. Extension may be planned.
Toledo & Ohio Cent'l W. D. 5s.. (New York Central)	Oct. 1	2,500,000	See Above	See Above			0.90	Full payment probable.
Maine Central 1st & Ref. 4½s, 5s and 6s.................	Dec. 1	19,957,000	40,192,000	313	2,471	2,912	1.00	Restricted finances cast some doubt on ability of road to meet this large maturity in full. Improved traffic this year would aid, but present prospects suggest full extension.
Maine Central 1st 6s.........	Dec. 1	916,000	See Above		See Above		1.00	

* As of Oct. 31, 1934. (e) Estimated. (a) Approximate, based on latest available data.

The Magazine of Wall

THE MAGAZINE OF WALL STREET's Bond Appraisals of active and important bonds is presented in two parts. The sections alternate with appropriate alterations and additions, so that holders and prospective buyers of bonds may be constantly informed as to the effect of developments in the largest number of issues.

Naturally, it is understood that all the issues mentioned do not constitute recommendations, although the relative merit of each is clearly indicated either by the tabular matter or by the comment. For those who desire to employ their funds in fixed income-bearing securities we have "double starred" the issues which appear to us most desirable, safety of principal being the predominant consideration, while a single star designates those which, while somewhat lower in quality, nevertheless provide an attractive income, or offer possibilities of price enhancement.

Inquiries concerning bonds should be directed to our Personal Service Department.

Railroads

Company	Total funded debt (mil'ns)	Amount of this issue (mil'ns)	Fixed Charges times earned† 1932	Fixed Charges times earned† 1933	Price Call‡	Price Recent	Yield to Maturity	COMMENT
Chesapeake & Ohio Ry.								
★★1st Cons. 5s, 5.1.39	245	30	3.2	3.7	N C	111	2.4	Of the highest grade.
Gen. 4½s, 1992	245	49	3.2	3.7	N C	116	3.8	Tho junior to issue above and prior liens thereto, is still strong.
Ref. & Imp. "B" 4½s, 1995	245	60	3.2	3.7	110*	109	4.1	Junior to two issues above.
Hocking Valley 1st Cons. 4½s, 1999	245	16	3.2	3.7	N C	113	3.9	Assumed by C. & O. High grade.
Great Northern Ry.								
1st & Ref. "A" 4¼s, 1961	351	72	.3	.8	105 '41	100	4.3	Good grade. Prior liens are substantial.
Gen. "A" 7s, 7.1.36	351	223	.3	.8	N C	95	7.4§	Junior to issue above. Maturity may prove problem.
Eastern Ry. Minn. Nor. Div. 1st 4s, '48	351	10	.3	.8	105	...	...	Mileage is valuable. High grade.
Montana Central 1st 6s, 7.1.37	351	10	.3	.8	N C	102	4.9	Good grade issue.
St. Paul, Minn. & Man. Cons. (now 1st) extd. 5s, 1943	351	41	.3	.8	102½*	107	4.0	
do. Montana Ext. 1st 4s, 6.1.37	351	22	.3	.8	N C	102	3.0	All are high grade bonds.
do. Pacific Ext. 1st stg. 4s, 1940	351	£6	.3	.8	N C	100	4.0	
Kansas City Southern Ry.								
★1st 3s, 1950	65	30	.6	.6	N C	77	5.2	Sound bond.
Ref. & Imp. 5s, 1950	65	21	.6	.6	105	73	8.2	Junior to issue above.
Texarkana & F. S. 1st 5½s, 1950	65	10	1.0	1.0	107½	94	6.1	Fair grade.
Louisville & Nashville R. R.								
Unified 4s, 1940	226	70	.8	1.2	N C	105	2.9	Now a high grade bond.
1st & Ref. "C" 4½s, 2003	226	58	.8	1.2	105 '39	100	4.5	Junior to issue above.
10-yr. Secured 5s, 1941	226	10	.8	1.2	103 '36*	106	3.8	Collateral is valuable. Better grade.
Atlanta Knox. & Cin. Div. 4s, '55	226	25	.8	1.2	N C	107	3.5	High grade.
Carolina, Clin. & Ohio 1st 5s, 6.1.38	25	14	.4	.7	110	107	2.9	Road leased to L. & N. High grade.
Norfolk & Western Ry.								
★★1st Cons. 4s, 1996	91	41	4.9	6.4	N C	111	3.6	An investment of the highest grade.
Div. 1st & Gen. 4s, 1944	91	35	4.9	6.4	105	108	3.0	Junior to issue above, but still high grade.
Pocahontas Coal & Coke P. M. 1st 4s, 1941	..	11	....	....	105	106	2.9	High grade.
Northern Pacific Ry.								
★★Prior Lien & Land Grant 4s, 1997	310	106	.9	1.0	N C	104	3.8	High grade.
Gen. Lien 3s, 2047	310	54	.9	1.0	N C	75	4.0	Junior to issue above.
Ref. & Imp. "B" 6s, 2047	310	145	.9	1.0	110 '36*	102	5.9	Junior to two issues above.
Union Pacific R. R.								
★★1st R. R. & L. G. 4s, 1947	348	100	2.4	2.5	N C	109	3.1	An investment of the highest grade.
1st Lien & Ref. 4s, 2008	348	86	2.4	2.5	107½	106	3.7	Junior to issue above, but still strong.
40-yr. 4½s, 1967	348	27	2.4	2.5	102½*	105	4.2	Unsecured by mortgage, but both are good
40-yr. 4s, 1968	348	20	2.4	2.5	100	101	3.9	quality investments.
★★Oregon Short Line 1st 5s, 1946	..	29	....	....	N C	114	3.5	Of the highest grade.
Oregon-Washington R. R. & Navigation 1st & Ref. 4s, 1961	95	72	def	.1	105	102	3.9	U. P. guarantees.
Oregon R. R. & Navig. Cons. 4s, '46	95	23	def	.1	N C	106	3.4	Prior in lien to issue above.

Public Utilities

Company	Total funded debt (mil'ns)	Amount of this issue (mil'ns)	Fixed Charges times earned† 1932	Fixed Charges times earned† 1933	Price Call‡	Price Recent	Yield to Maturity	COMMENT
Am. Gas & Electric Deb. 5s, 2028	194	50	1.9	1.7	106*	93	5.4	Among the best of holding company issues.
Appalachian Electric Power Co.								
1st & Ref. 5s, 1956	84	63	1.9	1.8	104½*	103	4.8	Of good caliber.
Appalachian Power 1st 5s, 1941	84	10	1.9	1.8	105	107	3.8	Prior in lien to issue above. High grade.
Buffalo General Electric Co.								
1st Ref. 5s, 4.1.39	40	7	2.6	2.1	105	109	2.6	Of the highest grade.
Gen. & Ref. "B" 4½s, 1981	40	30	2.6	2.1	107½*	109	4.1	Junior to issue above, but still high grade.
Cons. Gas, El. Lt. & Pwr. of Baltimore								
General 4½s, 2.14.35	64	15	3.1	2.9	N C	100	4.5	Will be paid off.
1st Ref. 4s, 1981	64	40	3.1	2.9	105*	107	3.7	Junior to issue above, but still high grade.
Safe Harbor Water Pr. 1st 4½s, 1979	21	21	....	....	105*	107	4.2	Cons. Gas guarantees. Strong bond.

Street's Bond Appraisals

Public Utilities (*Continued*)

Company	Total funded debt (mil'ns)	Amount of this issue (mil'ns)	Fixed Charges times earned† 1932	Fixed Charges times earned† 1933	Price Call‡	Price Recent	Yield to Maturity	COMMENT
Consumers Power Co.								
1st & Ref. 5s, 1.1.36	92	22	3.0	2.5	105	103	2.0	Of the highest grade.
1st & Unif. 4½s, 1958	92	67	3.0	2.5	105*	108	4.0	Junior to issue above, but still high grade.
Koppers Gas & Coke Deb. 5½s, 1950	51	38	1.9	1.9	103½	104	5.1	Good bond.
Nevada-Cal. El. 1st Tr. 5s, 1956	31	28	1.2	1.2	102½*	71	7.8	Represents large proportion of total debt.
**New England Tel. & Tel. 1st "B" 4½s, '61	88	75	2.5	2.3	100 '53	113	3.7	High grade investment issue.
North Amer. Lt. & Pr. Deb. "A" 5½s, '56	193	18	1.0	def	102½*	48	11.4§	None too strong holding co. obligation.
Pacific Gas & Electric Co.								
Gen. & Ref. 5s, 1942	297	96	2.2	2.0	105*	107	4.0	Entitled to a high grade rating.
1st & Ref. "F" 4½s, 1960	297	170	2.2	2.0	105*	102	4.4	Junior to issue above, but still a strong bond.
**California Gas & Electric Unif. & Ref. 5s, 11.1.37	297	9	2.2	2.0	110	108	2.6	High grade.
Sierra & San Francisco Power								
1st 5s, 1949	297	11	2.2	2.0	110	105	4.5	Pac. Gas guarantees int. Good grade.
2nd "B" 5s, 1949	297	8	2.2	2.0	105	...	...	Junior to issue above, but with same guarantee as to interest.
San Joaquin Light & Power Unif. & Ref. "D" 5s, 1957	34	32	1.6	1.6	103¾*	100	5.0	Good grade.
Great Western Power 1st 5s, 1946	20	18	1.8	1.8	106	107	4.3	Better grade.
Public Service Corp. of N. J.								
*Perpetual 6% Certificates	203	19	3.0	3.0	N C	118	5.1§	Secured by pledge stock of subsidiaries. Sound holding.
Public Service Electric & Gas Co. 1st & Ref. 4½s, 1967	114	91	3.8	3.7	104½*	108	4.1	High grade.
**United Electric Co. of N. J. 1st 4s, '49	114	18	3.8	3.7	N C	109	3.2	Senior to issue above. Of the highest grade.
Hudson County Gas 1st 5s, 1949	..	11	....	....	N C	115	3.7	Very strong bond.
South Jersey G., El. & Trac. 1st 5s, '53	..	13	....	....	N C	...	...	Better grade.
Southern California Edison								
Gen. 5s, 11.1.39	138	13	3.0	2.6	105	107	3.5	Entitled to the highest rating.
Ref. 5s, 1951	138	120	3.0	2.6	105*	106	4.5	Junior to issue above.

Industrials

Company	Total funded debt (mil'ns)	Amount of this issue (mil'ns)	Fixed Charges times earned† 1932	Fixed Charges times earned† 1933	Price Call‡	Price Recent	Yield to Maturity	COMMENT
Chile Copper Deb. 5s, 1947	31	31	def	.9	101*	85	6.9	In itself, bond is a good one, but general copper situation none too favorable.
Crucible Steel Deb. 5s, 1940	13	10	def	.5	101½*	100	5.0	Outlook improved. Now reasonably good bond.
Liggett & Myers Tobacco Co.								
Deb. 7s, 1944	28	13	14.8	11.1	N C	131	3.0	Industrial obligation of the highest grade.
Deb. 5s, 1951	28	15	14.8	11.1	N C	117	3.6	Junior to issue above, but still high grade.
Swift & Co.								
1st 5s, 1944	46	21	4.6b	5.4b	102½	106	4.2	bYears to 10.31.33/34. High grade.
Notes 5s, 1940	46	25	4.6b	5.4b	102*	104	4.2	Unsecured by mortgage, but strong nevertheless.
Union Gulf Coll. Tr. 5s, 1950	42	42	....	....	103	...	...	Entire issue called for payment Jan. 1, last.
United States Steel Corp.								
Illinois Steel Deb. 4½s, 1940	93	19	def a	def a	105	106	3.2	a U. S. Steel's earnings, guarantor. Both are high grade bonds.
C. L. S. & East. 1st 4½s, 1969	93	9	def a	def a	110	...	...	
Not Guaranteed								
Elgin, Joliet & East. Ry. 1st 5s, 1941	..	10	....	....	N C	105	4.1	Entitled to a good rating.
Tenn. C. & I. R. R. Gen. 5s, 1951	..	11	....	....	N C	115	3.7	Strong, well-secured bond.

Short-Term Issues

Company	Due date	Amount of this issue (mil'ns)	Fixed Charges times earned† 1932	Fixed Charges times earned† 1933	Price Call‡	Price Recent	Yield to Maturity	COMMENT
*Armour & Co. (Ill.) R. E. 1st 4½s	6.1.39	38	.2n	1.5n	102½	102	3.9	n Years to 10.31. Good bond.
Cumberland Tel. & Tel. Gen. 5s	1.1.37	15	3.2m	2.9m	N C	106	1.9	m Earnings Sou. Bell Tel. assuming co. Highest grade.
Edison Electric Ill. (Bos.) Notes 3s	11.2.37	71	2.6	2.3	100½*	102	2.0	High grade.
Phillips Petroleum Deb. 5¼s	6.1.39	27	1.3	1.7	101*	102	4.8	Position much improved.
Texas Power & Light 1st 5s	6.1.37	25	1.8	1.8	105	103	3.7	Of good investment caliber.
Third Avenue R. R. 1st 5s	7.1.37	5	2.0	....	N C	100	5.0	Among the stronger traction issues.

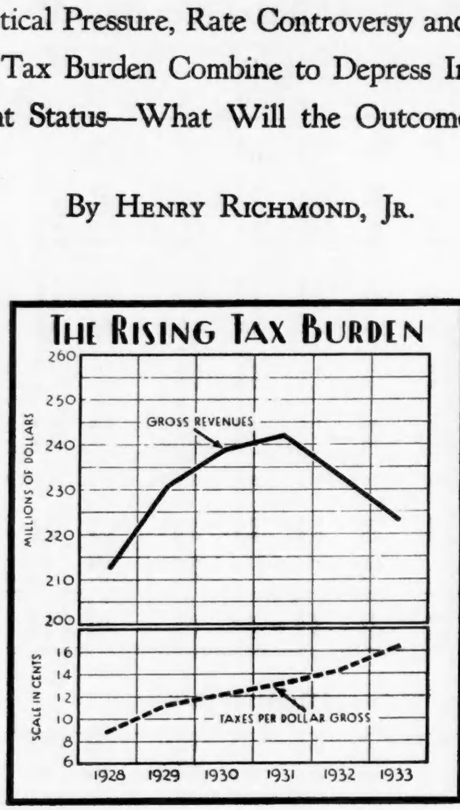
† Fixed charges times earned is computed on an "over all" basis. In the case of a railroad, the item includes interest on funded and other debt, rent for leased roads, miscellaneous rents, etc.; in the case of a public utility it includes interest on funded and unfunded debt, subsidiary preferred dividends, minority interest, etc. ‡ An entry such as 105 '36 means the bond is not callable until 1936 at the price named. *Indicates that the issue is callable as a whole or in part at gradually decreasing prices. ** Our preferences where safety of principal is predominant consideration. * Our preferences where some slight risk may be taken in order to obtain a higher return. § Current Yield.

Where Is Consolidated Gas Headed?

Political Pressure, Rate Controversy and Rising Tax Burden Combine to Depress Investment Status—What Will the Outcome Be?

By HENRY RICHMOND, JR.

SCENE: A Dublin street fight. The opposing factions advance one upon the other. They hurl bricks, bottles, epithets. They wield belts and one can see the flesh bruise and crack under the heavy buckles. A pompous little man stands on a garbage can and exhorts no one in particular until a stone removes what is left of his front teeth. A boy and a girl are trampled: an old woman loses a string bag and a week's groceries; others seek a precarious safety in narrow doorways. Fishwives lean from windows and sling not-unappropriate insults at each other across the narrow street. Several put in their "little nickel's-worth" by casting cooking utensils on the melée below. . . .



Scene: Greater New York City. The Consolidated Gas Co. on the one hand faces the Public Service Commission on the other. On the sidelines, President Roosevelt, Mayor La Guardia, the Federal Government, the courts, the public at large, the owners of Consolidated Gas. The company and the commission obtain preliminary holds. Everyone shouts at the top of his voice, along lines which are completely lacking in logic and often in common honesty.

In the number of people involved who hold different views, the number involved who hold the same views for completely different reasons, and the intolerance with which everyone regards any opinion but his own, there is no visible distinction between a Dublin street fight and the present utility controversy in New York. They are also similar in respect to the damage done innocent bystanders by other bystanders to whom the urge to meddle in some one's business is irresistible.

The sad part of the question as to whether the Consolidated Gas Co. of New York and its affiliated companies should, or should not, lower their rates is that a clear-cut decision in accordance with abstract justice cannot be rendered. Abstract justice in such a case just does not exist. While this perhaps is explanation enough of why the argument is waxing so hot and bitter, it does seem as if time, money and nerves might be saved by a lesser display of childish obstinacy on both sides.

Fixing Rates

Theoretically, there should be no trouble at all over utility rates. The law holds that a company is entitled to earn a "fair return" on the capital invested in public service and a public service commission is set up to try and see that the company does not earn more than this. Unfortunately, it is at this point that the trouble always starts. The commission holds hearings designed to discover exactly how much capital there is invested in the public service. It hires accountants and engineers, who in the interest of their client are naturally desirous of reducing valuations to the minimum. Their final figures show everything in sight lopped off except the bare skeleton of the system. "This is all the capital there is involved in the public service," they claim.

Meantime, the company's accountants and engineers have done the same thing, but with this important difference: they include everything and the kitchen sink. They include obsolete plants and "reserve" plants, lines and other facilities that are used only a few times a year, and say: "This is how much capital there is invested in the public service." In practice, the commission then figures out what kind of compromise the company will stand for and renders its decision accordingly. If the company accepts the new rate schedules, all is well: if it does not, the matter is taken to court where it is threshed out very expensively for everyone concerned and even when the final decision is rendered it represents no indisputable scientific fact, but is merely a human opinion of what appears to be a fair answer.

While this may appear to be a crude way of stating the method by which public utility rates are determined, not only in New York but in many other localities as well, it covers nevertheless the essential facts. It worked, moreover, for a long time and not too badly. Utility rates generally showed a steady downward drift, while utility company earnings drifted just as steadily

upward; so everyone was satisfied. There was, of course, not necessarily on the part of the Consolidated Gas Co. of New York, but here and there, abuses. Book values were written up and then made the basis for higher rates, while undoubtedly many politicians of various grades and capacities came under the influence of utility interests. This, however, was inevitable under the system and it is on the system, rather than those who took advantage of it or failed to take advantage of it, that the blame should rest.

Political Targets

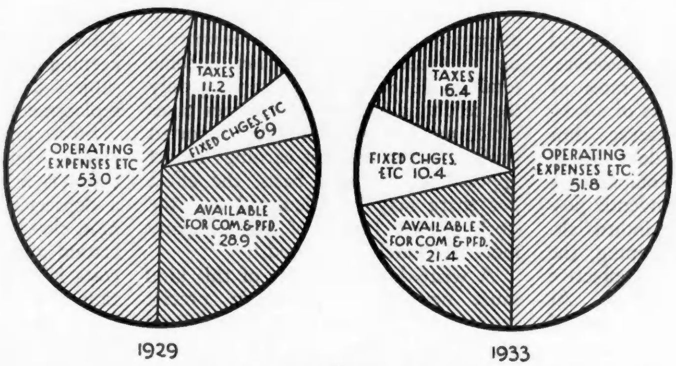
During the depression, utility earnings generally, including those of the Consolidated Gas Co. of New York, stood out like a sore thumb. Politicians desperate for some more to tax, turned to the utilities with a will. In 1929 the big New York utility paid $25,500,000 in operating taxes, or more than 11 cents on each dollar of operating revenue: in 1933 it paid almost $36,400,000, or nearly 16½ cents per dollar of operating revenue. When final figures are available for 1934, they undoubtedly will show a tax figure in the neighborhood of $40,000,000.

In the meantime, there had arrived President Roosevelt, willing to compromise on anything but his conviction that utility rates are too high and should be lowered. Taking its cue from the actions of the national government, the New York State Public Service Commission hit upon the happy thought of ordering "temporary" reductions in gas and electric rates—"temporary" here meaning that the reductions should be put into effect immediately and then appropriate surveys and studies made to discover whether they were valid. This was naturally too much for Consolidated Gas and it plastered the Commission's orders with injunctions, the final disposition of which are still pending.

Naturally, such tactics were resented in many quarters. They gave politicians, newspapers and sundry individuals another excuse to rant about the Power Trust and they have been quick to take advantage of it. And then, just as the feeling against utilities and Consolidated Gas in particular was at its height, the company asked the Commission for a $14,000,000 increase in rates to cover the increase in sundry taxes and expenses. Practically, matters being what they were, this was probably a stupid move. It put Mayor La Guardia on his hobby-horse prancing down to Washington with a view to getting a Federal loan in order that New York City might build competing power plants. This, the Federal Government appeared perfectly willing to do and the local power company found itself on a "spot".

However, Consolidated Gas made a strong rally by proposing that the "Washington Plan" for electric rates be put into effect in New York. This scheme obtains its name from the system under which the Potomac Electric Power Co. operates. Under it, the company agreed after it had received 7% on a valuation of $32,500,000 to divide its profits with consumers. Additions to plant and property were subject to the same agreement. Apparently, the plan worked very well, rates being constantly reduced and the company being able to maintain itself in a high degree of prosperity. Indeed, the plan worked so well that in 1930 it was modified to still further benefit the consumer. A similar plan probably would work equally well in New York, once the original valuation had been settled. This, however, is a big point and will be returned to later.

In order to complete this brief sketch of where the Consolidated Gas Co. of New York stands today politically, it is necessary to add a few more lines to give perspective. Without taking sides in the controversy, fairness compels the recognition that there is no scientifically determinable point over which utility rates become too high and under which they are too low—aside from selfish interest, of which there is a great deal too much. We fail to see how anyone can be blindly partisan one way or another. Mere "kibitzers" on both sides would do well to consider just one little point and then ask themselves honestly if their time could not be spent better in some other pursuit.



The Consolidated Gas Dollar

In New York the average electric bill for residential use is $2.41 a month and the average gas bill $2.18 a month. The average customer therefore obtains combined electric and gas service for a matter of $55 a year. Allowing only two dependents to each customer, the per capita cost of the service becomes slightly more than $18 a year. *The per capita cost of the New York City government is approximately $70 a year, while the expenditures of the Federal Government are currently running about the same for each man, woman and child in the country.* In view of this, the unbiased observer in respect to the New York utility situation can merely ask—just as he would if he were viewing the Dublin street fight—"What's all the shootin' for?"

Strongly Situated Company

Turning now to a cursory examination of the physical and financial condition of Consolidated Gas, a holder of the company's stock or bonds, discovers a much more definite and much more hopeful picture. The company is both an operating and a holding company. The organization provides electricity, gas and steam service to an area centering in New York City that possesses a concentrated population of not far from 8,000,000 persons. About 75% of the company's total operating revenues of $225,000,000 a year are derived from electricity, about 20% from gas and the balance from steam and miscellaneous sources. Except for those, such as the New York Power Authority which in a recent report to the President made the point that the company is operating a number of plants at low capacity and high fuel cost for the purpose of justifying their inclusion in the capital account, the physical properties of the Consolidated Gas Co. of New York are generally conceded to be modern, well-equipped, maintained and managed. (For the sake of the record and in case there are readers innocent enough to believe that the statements of such an august body as the New York Power Authority are, *ipso facto,* correct and sensible, it must be recalled that this same body under the chairmanship of Frank R. Walsh made some pretty wild statements a month or two ago in respect to how low utility rates

(Please turn to page 417)

¶ *How Does Your Company Keep Its Books?*

Let Corporate Assets Be Realistically Appraised

Effect of Capital Write-downs on Companies, Investors and National Revenues

By BARNABAS BRYAN, JR.

With corporate reports now making their appearance in increasing numbers, the points made in this article will be found exceedingly timely. For example, in making comparison between recent earnings and those of prior years, one should make certain that the basis of comparison is the same. A change in depreciation policy or in the appraisal of capital assets makes startling changes in earnings which must be recognized.

OF all factors influencing the market price of any common stock, earning power is by far the most potent. It is the first thing the average investor examines: so many dollars and cents per share for such and such a period, as compared with the preceding similar period.

But what is earning power? Its accurate measurement is far more complicated than most investors realize. We have official and fixed standards for measuring a bushel of potatoes or a pound of beef—but there are no hard and fast standards for measuring a corporation's profits. This is because the intricate and sometimes devious art of bookkeeping can make reported earnings better or worse, as dictated by the desires or necessities of management.

Therefore, if the hopeful stockholder wishes to live in reality and to sleep nights, one of the very first questions he must ask himself is: How does my company keep books? He must know its depreciation policies and what it does with depreciation reserves. He must know its various rates of depreciation on various types of assets. He must know whether reserves thus set up are used to retire debt—as in the case of so many oil companies—or in making deceptive dividends possible, as in the case of some industrials.

Of all devices of bookkeeping, the capital write-down is the most effective in sweetening reported earnings. At first glance it may seem curious, if not a bit absurd, that a few changes in a company's ledgers—without effect either on its sales or the physical composition of its properties—can add materially to earnings as reported.

As a practical matter, however, it is reported earnings that the stock market deals in; and when a write-down of assets take place it is bullish on the stock of the company, even though the results often may not show up for some time.

For instance, there is the case of Socony-Vacuum, which has recently written the old Vacuum good-will out of the books, and in comparison with its previous accounting has thus written up a fund of future net income totalling $228,000,000, excepting only the resultant increase in incomes taxes which must be paid on higher reported profits. After the first earnings report appears on the new basis, the effect per share may be calculated and the stock market future of the company more accurately appraised.

A write-down of assets of this kind must necessarily appear in precise proportion either as future net earnings or reduced losses.

In the depression years, and especially in 1931, 1932 and 1933, many companies have resorted to similar write-downs. Some of the more important and the amounts of the write-downs are:

General Motors	$92,800,000
Chrysler	25,000,000
Barnsdall	30,000,000
Continental Oil	56,000,000
Bendix Aviation	38,030,000
Union Carbide	39,794,000
Pullman	20,936,000
United Fruit	50,945,000
Curtiss-Wright	19,592,000
American Radiator	11,087,000
Gillette Razor	17,260,000
Tidewater Assoc.	34,098,000
American Loco.	34,556,000

It is not our purpose to imply that bookkeeping changes such as these are a mere matter of accounting hocus-pocus in any sense, or that they are not entirely legitimate. As a matter of fact, the write-down—unlike a write-up of assets in a merger—is almost invariably in the direct interest of shareholders.

The purpose of the charge-off for depreciation is to replace the cost of property during the active life of the assets. Obviously, then, rigid adherence to a 1929 depreciation policy under depression realities would be a bookkeeping absurdity. Property values are subject to the price cycle and so are replacement costs.

Since physical depreciation of machinery, buildings and other property assets is a business reality, necessarily a depreciation policy which conforms most closely with actual physical depreciation and with probable replacement costs is essential to the longer protection of the stockholder's equity. The lower the valuation of assets and the smaller the depreciation charge—while still conforming to the requirement of maintaining the useful life of the

properties—the better is the stockholder's position.

There can be no doubt that a great many corporations have tended to adhere to fictitiously high asset valuations and to excessive depreciation policies, in many instances the prime motive being to hold down income taxes.

The capital write-down effects the internal deflation of a corporation. When its securities decline in value, that does not in any way reduce its overhead charges. Depreciation on original cost of assets makes the company insist on collecting its full pound of flesh before showing any profit. Stockholders may suffer heavily in the decline of the company's securities while it goes on insisting that boom-era assets are worth what they cost.

This writer believes the fixed assets of the majority of companies today are not worth full book value. In a great many cases they represent the accumulations of a generation of expansion under the stimulus of a high rate of operations when costs were high.

Let us see how a typical capital write-down has worked out in the case of a well known company, United Fruit. Its property account was written down by $50,945,000. The consequent reduction in depreciation costs amounted to $1.63 per share of common stock. On the new basis the company reported earnings of $1.95 per share in 1932, whereas on the old valuation they would have been but 32 cents a share. Similarly, reported earnings of $3.16 per share in 1933 would have been $1.53 under the previous policy.

In 1932 United Fruit common sold down to 10¼. Today it is around 75. Now, of course, the end of panic fear has lifted prices of all sound stocks since 1932; and this company's business also is definitely improved. Perhaps the stock could have recovered to 40 or 50 on these factors, but it seems decidedly improbable it would be selling at 75 without the benefit to earnings of its present depreciation policy.

If a simple matter of bookkeeping can work such wonders for a minority of companies why should it not produce similar results for all companies and thus accelerate the return of prosperity? This writer believes the taxing power should be used to make all corporations reduce their charges for depreciation by half or in a proportion equal to the decline in the cost of living since 1929. The effects of such action would be favorable to stockholders, favorable to government in the collection of higher income tax revenues, favorable to that intangible thing we call confidence or sentiment, since it would tend to make for higher reported earnings and higher market quotations.

Thus the deflation of boom-time bookkeeping would have inflationary effects harmful to none. The arguments in its favor are manifold and just.

Government intervention in this problem would, of course, be nothing new in principle. The Treasury has long kept a watchful eye on the depreciation policies of individual corporations in an effort to collect the taxes it felt to be fair.

For example, in 1931 it caused Humble Oil & Refining to lower its depreciation charges on the ground that they represented an under-estimate of the probable life of the assets for which reserves were being set up out of current revenues. In effect, the company had been growing a melon by charging off too much to suit the income tax collectors. Since then lowered depreciation rates raised net income.

Again, the Spicer Manufacturing Co. recently issued a report showing earnings of $493,824 for the nine months ended last September 30, as compared with a loss of $114,792 for the corresponding period of the preceding year. This is a change for the better that the stockholder will consider remarkably good — but a very pertinent explanation is to be found in the following brief note attached to the earnings statement:

"In conformity to the Federal Revenue Act of 1934 and regulations pertaining thereto, a revision has been made in rates of depreciation and reduction in that respect has been given effect to in above statement for nine months of 1934. A portion of provision for depreciation has been charged against a special reserve for depreciation of equipment created out of capital surplus at December 31, 1932."

American Locomotive's

Capital Write-down

	Book Values January 1, 1933 Before Write-down	Book Values January 1, 1933 After Write-down
Cost of Property.......	$83,832,170	$47,645,883
Depreciation Reserve..	22,164,409	11,824,368
Net Cost of Property...	$61,667,760	$35,821,515
	1932	1933
Depreciation Charge...	$1,444,592	$561,893
Per Common Share....	$1.88	$.73

In other words, not only was depreciation reduced but part of the amount allowed as depreciation by the Bureau of Internal Revenue was charged not against current earnings but against a special depreciation reserve set up out of capital surplus some time previous to the period covered by the earnings report in question.

The reasoning actuating the Treasury, and applying to many corporations, has been set forth by Secretary Morgenthau as follows:

"The Bureau has for several months had under consideration more effective means of administering the depreciation provisions. This study has shown that through past depreciation deductions many taxpayers have (as shown by facts now known to exist) built up reserves for depreciation which are out of proportion to the prior exhaustion, wear and tear of the depreciable assets. If past methods are continued, the amount representing the basis of the assets will be completely recovered through depreciation deductions before the actual useful life of the assets has terminated.

"In order to overcome this condition the Bureau proposes to reduce substantially the deductions for depreciation with respect to many taxpayers in various industries so that for the remaining life of the assets depreciation will be in effect reduced to the extent that it may have been excessive in prior years."

To this end corporations are required to furnish detailed schedules of depreciation containing all the facts necessary to determination of proper depreciation. Second, depreciation is to be limited to such amounts as may reasonably be considered necessary to recovery during the remaining useful life of any asset the unrecovered basis of the asset. Third, the burden of sustaining the validity of the depreciation deduction claimed is placed squarely upon the corporation.

Without doubt these policies will materially swell the Government's revenues. They will also result in good for stockholders. But this is a piece-meal attack, perhaps necessarily so. Much greater and quicker benefits would come from a blanket assault on excessive book valuations. We have done some strange things by legislation in this country. Why not a compulsory deflation of corporate bookkeeping and a consequent inflation of earnings and taxes—an inflation, peculiarly enough, which would rob nobody?

Corn Will Go Higher

Changing Values and Markets in Our Biggest Crop

By C. S. Burton

THERE is no feature relating to commodities which compares in importance with the various efforts being made to achieve control, in many items, of output and price, one or both.

Announcement is just made that the Secretary of Agriculture is to ask for amendments to the Agricultural Adjustment Act giving the Adjustment Administration the right to establish quotas and allotments for individual farmers, where a majority of the farmers concerned approve this procedure. In other words, the voluntary plans of the Administration are to be replaced and enforced by compulsory measures. A Bankhead plan is being prepared for the compulsory control of wheat production, and so it moves all along the line. Of course, we shall have a repetition of what is taking place in cotton. If the A A A limits wheat production, it will be forced to make a price which is compensatory. The Government paid cotton farmers benefit and parity payments and then loaned 12 cents a pound on cotton—five million bales or more. Some similar course of events may be confidently anticipated as each item of farm output comes under control.

Unfortunately for the projected plans it remains true that to alleviate an economic effect is to augment the cause. The best cure for six-cent cotton is six-cent cotton and the best cure for too much wheat is too much wheat.

Leading Corn States

Corn is our big crop. One hundred million acres of waving cornfields in Ohio, Indiana, Illinois, Missouri, Kansas, Nebraska, South Dakota, Minnesota, Wisconsin, Iowa, and of these the banner state is Iowa, with Illinois a good second. Miles and miles of cornfields; in the early summer a scene of great beauty, in these midwinter days, a scene somber, monotonous and desolate. Corn is our big money crop, albeit it goes to market in varied forms. The crop year for corn begins November 1. For the ten years 1924-1933 our national cornfield averaged 101,564,000 acres, and the annual average crop was 2,554,430,900 bushels, for which the net farm price, averaged month by month in each year, was 66.92 cents, an annual return, calculated thus, of $1,709,425,158. A huge sum, this; an item of yearly income, of which it behooves us to take great care and to cherish the markets through which we reach the eventual consumer. We grow usually something more than 60% of the world corn crop. The more important contributors to the total are the Argentine, Rumania, Jugoslavia and Italy. The Argentine leads all the nations of the world as an exporter of corn. Her exports of pork in any form are negligible and her huge beef exports come from the cattle of the pampas—grass fed. Just now, for the first time in history, the United States imports corn and oats from the Argentine. It is not difficult to arrive with quite sufficient exactitude at the figures covering our production of corn.

In spite of all the mechanization of farm work, corn still requires a much greater amount of labor than the small grains, and it becomes a further part of such work to turn the corn into the various forms in which it starts toward the table.

Food habits change, largely because of the infinitely greater variety of foods now constantly available and competing to reach the consumer's plate, cup and saucer. The housewife no longer bakes her bread. Consequently she no longer serves corn bread; the manufactured cereals, packaged and ready to serve, have routed the old-fashioned lye hominy, samp, corn meal mush from all but the remote farmers' tables and "cracklin bread" has passed into history. That portion of our corn crop which goes into cornmeal, even water-ground cornmeal from which spoon bread is made, grows less and less year by year.

It is then, a question of the manner in which we do realize on our corn crop; the answer is—meat. Corn-fed beef and corn-fed hogs and here again food habits have changed. Time was, not so many years since, when the farmer, or feeder, fed for great weight both steers and hogs. Today the public demands younger livestock, brought quickly to an early maturity, which in former years would have been considered only preparatory for the final process of feeding and fattening. A two-year old steer and a pig six to eight months old go to market now instead of the feed lot, but still it is the corn which gives the quality to the meat. The buyer of pork wants the meat to be hard, the carcass to be firm and he pays a premium therefor. Much experimentation has proven that there has not yet been found any feed or combination of feeds which equals corn for the production of the very best meat.

Corn Hog Ratio

If we speak of pigs in clover to the city-bred boy it means a tantalizing puzzle, but to the farmer "pigs in clover" has much the same implication as "wheat in the bin." Turn a bunch of four-months-old shoats into a field of clover, feed each one one good ear of corn per day, let them have some wood ashes or charcoal and salt and plenty of clean water and at the end of 90 days they will have put on 100 pounds of the finest kind of growth. To make up a little corn hog ratio of our own—for the porker in the feed lot, without the clover or alfalfa, it takes about 3½ pounds of corn to produce one pound of pork on the hoof.

The corn-hog ratio mentioned so often in the current discussions of farm problems is "something else again". It means, as constantly used by the U. S. Department of Agriculture, the number of bushels of corn required to buy 100 pounds of live

pork. This ratio can run all the way from 9, if corn is high and hogs are cheap, up to 15 or 16 if corn is cheap and hogs are high. This latter equation has nothing to do with the number of bushels of corn fed to make 100 pounds of live pork.

Our corn-fed beef barely suffices now for our domestic demand. We no longer have range cattle for our own feed lots and for export as we once had. The dairy has so greatly increased in importance that pasturage is given over to milk cows to the exclusion of steers in course of preparation for the market. This means a greater ratio of baby beef for the table and also a definite dependence on cow beef; cows culled from dairy herds and fed just enough to fit them for sale. For better beef we actually buy feeders from Canada and Mexico. While we have thus seen our export market for beef fade away, the hog is in a somewhat better stand.

Primarily then, the world demand for hams, bacon and lard in reality represents the market for our huge corn crop and to form any outline as to one, it is necessary to study the other.

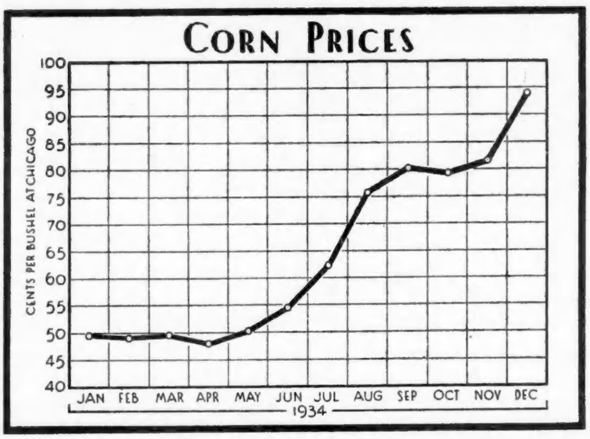
And with regard to the demand for lard we must take cognizance of the fact that our export shipments of lard have greater value than all our other meat products combined. Here as in other departments our foreign trade has dwindled; for the years 1926-1930 we averaged sales of lard abroad to the very substantial figure of $95,660,000. All other meat products plus live animals exported averaged for the same period $79,969,000. It is deplorable to study current export figures. In 1932 meat products, which title includes beef and pork in all forms and mutton and lamb and fresh poultry, amounted to only $19,335,000 while our lard shipments came to $31,885,000. The situation has worked around so that lard is by far the largest item in the whole list of animals and animal products that we send abroad.

Our best customers are the United Kingdom and Germany, their use making up roughly 70% of the total.

As this is written there is much more than usual interest in all kinds of fats due to the anticipated curtailment in hog production. There is an advance in the price of butter with margarine sales increasing. Edible oils, led by cottonseed oil, are having something of a boom in both price and activity. Cottonseed oil is selling higher than at any time since 1929. One of the effects of the drought, a probable scarcity in fats.

Marketwise corn is volatile enough for almost any daring speculator. For the crop year ending October 31, 1932, the crop was just under 3,000,000,000 bushels and the price in December, when corn should move to market, was under 20 cents. There was talk of using it for fuel as was done by farmers in the early '90's. Today corn is bringing well above a dollar a bushel and the trucks are moving the grain into those counties where the drought hit hardest and the farmers are buying to save their livestock, paying almost any price demanded. The usual spread between corn and wheat has almost been reversed. With wheat at a dollar per bushel corn would normally sell around 60 cents. In the present pinch of circumstances corn brings 15 to 20 cents per bushel more than a bushel of wheat.

This situation arises, of course, from the ravages of the drought. The wintering of the farmer's livestock presents a current problem which is very serious. The price for corn will probably work higher up to the time when corn from the Argentine can come in in quantity. Of old corn the Argentine has none to spare in any great amount. Their new corn will not be available until in April and until then cash corn will rather command its own price and futures be forced upward from current levels. Europe, like the United States, is short of feed. The world crop of corn for 1934 is 31% below that of last year, but the European crop is only 8% below.



Our own crop is figured at 1,417,000,000 bushels, roughly about half a crop and, of course, of poor quality. How increasingly hard the pinch becomes for the farmer is evidenced by the way the farm price for corn has moved up from around 77 cents in September to well above a dollar as this is written.

The all important factor of the corn-hog program for 1935 may now be outlined, the new contract having been approved by a referendum in October. The provisions are, very briefly: Maximum corn acreage, 90% of the average planted in 1932 and 1933, with the option to any individual to cut down as much as 30% and receive corn benefit payments in proportion. Benefits are (1) a corn adjustment payment, (2) free use of the land withdrawn from corn planting, (3) *a right to participate in any corn loan program which may be promulgated in the fall of* 1935. The corn adjustment payment is to be 35 cents per bushel on a yield determined by a Community Committee to be the average yield over the past five years for all crop land in the farm which has been in corn at least once in the past five years. The withheld acreage may be any part of the farm. The payment will be made in two instalments—15 cents as soon as the contract is approved and the remaining 20 cents will be paid around January 1, 1936.

The payments made on the first instalment to corn-hog growers totaled $128,976,207. The payment of the second instalment totaling 92 million dollars is now being made.

These payments come from the so-called "processing taxes," which in the case of pork is $2.25 per 100 pounds live weight. According to the Secretary's recent report, this tax represents an added cost to the consumer of pork and pork products as retailed of about 4½ cents per pound. Using the Bureau of Labor Statistics of August 14, last, as quoted by the Secretary, sliced ham was 39.6 cents per pound, the processing tax would therefore be 11.4% of the price; loin of pork 20.6 cents, of which the processing tax would be 20.4%; sliced bacon was 29.8 cents, of which the tax would be 15%; lard was 11.3 cents, tax 39.8%. As of the moment of writing these prices have already advanced sharply. Now, processing taxes as levied upon pork, cotton, wheat, tobacco, etc., are the only source of revenue from which benefit payments are made. We must realize then that we see here the collection of taxes levied against all consumers for the direct benefit of one class, pure subsidy.

New Conditions Favor Air Brake Manufacturers

Requirements of I C C and American Railway Association Promises Expanding Volume for Both Companies

By J. C. Clifford

DURING the years of depression there were few businesses harder hit than the manufacturers of railroad equipment. At first, as the volume of traffic fell off, the railroads had no inclination to buy: later it became almost impossible for them to do so, for lack of funds. Even when the Government evolved plans to loan money for equipment purchases, the roads, which had experienced their fill of unpayable debts, were somewhat loath to contract avoidable ones in volume. All of this naturally reflected adversely upon the business of Westinghouse Air Brake and New York Air Brake, although these two companies, as will be shown later, suffered less than many of their contemporaries in the same general field.

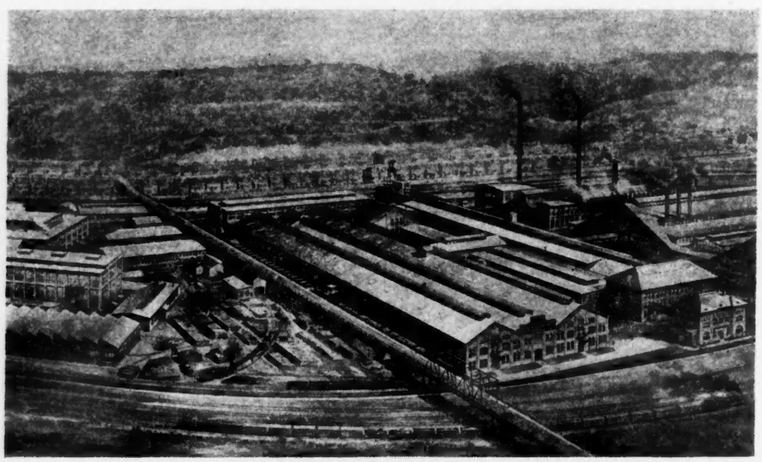
Smaller Traffic—Minimum Buying

Traffic was the thing needed to start railroad buying on any scale and neither the ease with which money could be borrowed from the Government nor all the talk of the economy and efficiency to be derived from modern equipment was capable of making much impression so long as the volume of traffic registered no material increase. However, railroad traffic in 1933 was better than in 1932 and 1934 was better than 1933. Though the roads for the most part are still in deplorable financial straits from which there is no immediate chance of their emerging, the increase in carloadings at least has had the effect of turning their thoughts to the possibilities of buying a little new equipment. Moreover, with the changed background they are at last listening to the economy and efficiency arguments which they previously neglected. Last year, freight car orders were in the neighborhood of 23,000, compared with less than 1,700 in 1933, while there were about 150 locomotives ordered against only 42 in 1933. A beginning was also made to catch up on the deferred maintenance in signaling equipment and the installation of new and modern apparatus.

While the business is still pitifully small in comparison with what conservative estimates show it *should* be, nevertheless it seems that a start has been made. How far it will go reverts again to the question of railroad traffic. In other words, railroad traffic makes railroad prosperity and on the prosperity of the railroads depends their purchases of equipment. Yet, although this is generally true, the two companies already mentioned—Westinghouse Air Brake and New York Air Brake—can reasonably expect a future well above the average enjoyed by the majority of other railroad equipment companies.

Repairs Important

This expectation—as was the relatively good showing made by these two companies during the depression—can be attributed to the fact that their business is not wholly "heavy" in character. As their name implies, both are manufacturers of air brakes and, while part of the demand for this apparatus naturally depends upon the volume of new railroad rolling stock, there is also considerable imperative repair and replacement business at all times. It is the latter that has lent a stability to earning power during the time when orders for new equipment were almost negligible. In addition to their main business, both have other interests.



Part of Westinghouse Plant at Wilmerding, Pa.

In the case of the Westinghouse Air Brake Co., which is by far the larger of the two organizations, these other interests are extensive. Its subsidiary, the Union Switch & Signal Co., manufactures all kinds of signaling apparatus, train control systems and the like. The business of this subsidiary was materially helped during the depression by several large subway installations; while the future is the brighter because of the immediate economies that can be demonstrated to result from modern signaling systems and all that they imply. Another subsidiary, American Brake Co., makes foundation brakes for locomotives and a varied line of valves, fittings and forgings, in addition to doing a large volume of repair work. Yet, another subsidiary, Westinghouse Pacific Coast Brake Co., also does repair work on air brakes of all kinds, besides making automobile brake equipment and automobile tire fitting valves.

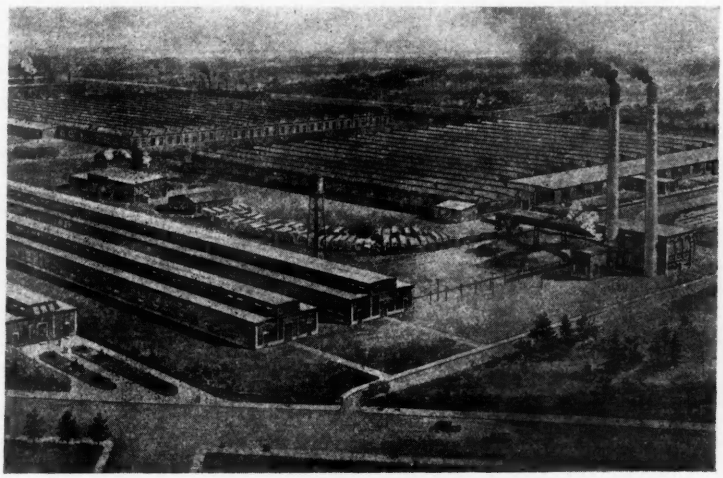
Nor is this all. The American Westinghouse owns an important interest in the Canadian Westinghouse and a 49% interest in Bendix-Westinghouse Automotive Air Brake Co., whose business it is to promote air brakes on automobiles and in this way broaden the field for the equipment manufactured by its owners. Finally, Westinghouse has extensive interests in companies having plants in England, France, Germany, Italy, Australia and India.

The business of the New York Air Brake Co. is less far-flung. The company did make an effort some years ago to diversify its manufacturing operations, but not to the extent of its larger competitor. Thus, the company's business still follows closely its old activities as a manufacturer and repairer of railroad air brakes and this is carried out under license to employ Westinghouse patents. A certain diversity of interest, however, results from the ownership of some 76% of the outstanding stock of the Beebee Island Corp., a company possessing valuable water rights in the center of Watertown, N. Y.

From the balance sheet standpoint both companies have much in common. Their capitalizations are similar and consist solely of common stock—3,172,110 no-par shares in the case of Westinghouse and 260,000 no-par shares in the case of New York Air Brake. Neither company has outstanding any bonds or preferred stock at all. The current financial position of the two companies is good; indeed, that of Westinghouse might well be called excellent, for at the end of last year this company reported current assets of $30,500,000 against current liabilities but slightly in excess of $1,500,000. Of the current assets more than $20,000,000 was in the form of cash, United States Government and other marketable securities. As of the same date, the smaller company showed current assets of $2,250,000 of which $1,300,000 was in the form of cash and marketable securities, whereas current liabilities totalled less than $170,000.

Past Earning Power

In the past, the earning power of the two companies tended to run parallel.



View of New York's Plant at Watertown, N. Y.

For the years 1928, 1929 and 1930, Westinghouse reported earnings the equivalent of $2.05, $2.78 and $2.05, respectively; whereas New York Air Brake reported $2.98, $4.72 and $2.26, respectively. As the depression intensified, however, the Profit and Loss Account of the smaller company swung quickly to the "red", while that of the larger company was bolstered by the greater amount of its "other income". Yet, the two reported losses for 1933, it being interesting to note that New York Air Brake's deficit of $333,000 was less than that of 1932, whereas the Westinghouse loss of $660,000 followed a profit of $1,400,000 in 1932.

In 1934 both companies enjoyed a change for the better. In the first nine months Westinghouse earned $240,000 after charges and taxes, which was equal to 7 cents a share on the outstanding common stock. For the same period New York Air Brake earned $113,000 after depreciation and all charges *except* Federal taxes.

Currently, the stock of the Westinghouse Air Brake Co. is selling around $26 a share, on which there is a regular dividend of 50 cents a share annually—a dividend of which there is hardly a doubt in view of the company's holdings of cash and Government securities regardless of what the future of the business might be. The stock of New York Air Brake sells a point or two higher and at the present time affords no return on the capital invested in it.

In giving consideration to the future of the air brake companies it is always necessary to keep at the back of one's mind that in the ultimate analysis it is railroad traffic that spells railroad prosperity and the free purchase of equipment. In this particular instance, however, there has arisen a factor that very much modifies this basic thought. Faster train speed, the increasing length and weight of trains and the anticipation of the universal adoption of roller bearings which has come with more powerful motive power, have resulted in new demands for more effective and quicker acting, braking equipment.

The specific difficulty has been in braking long freight trains. They have not been easy to stop in the first place, while to slow down and then start up again without buckling and even derailing (with great danger to other trains on parallel tracks) has been extremely difficult. The trouble was the result of the time it took for the brakes to go on throughout the whole train.

In its annual report for 1932, the Westinghouse Air Brake Co. first referred to a new brake on which it had long been working with a view to meeting these requirements. The claims made for the new brake have been thoroughly proven by extensive use by several railroads under all conditions. Recently the I. C. C. has ruled that all new freight cars must be equipped with it, but of more immediate importance than this is the subsequent action of the American Railway Association

(*Please turn to page* 416)

The Magazine of Wall Street's Common Stock Price Index

Ninth Annual Revision

WITH this issue THE MAGAZINE OF WALL STREET'S Common Stock Price Index enters upon its tenth year. The Index is designed to record the more important price movements of industrial group averages and of the market as a whole. It does not reflect the minor, day-to-day, fluctuations; but only secondary and longer movements, trends which are of significance to long-pull investors and intermediate-term speculative-investors. It presents a broader and more comprehensive view of the market and its component cross currents than any index which is based upon a small number of leading stocks, or any index (even though composed of a large number of stocks) weighted by the number of shares outstanding; since the latter method of computing an index is tantamount to emphasizing the price movements of a limited class of issues in which there is a large number of shares outstanding.

In revising the list of stocks to be included in the 1935 Index, 28 issues have had to be dropped from last year's tabulation — due to mergers or bankruptcy, or through lack of public interest as reflected in a shrunken volume of transactions. On the other hand, because of reduced market activity resulting from the Stock Exchange Act and other influences, only 4 issues not heretofore in the index, were sufficiently active last year to warrant inclusion; so that the 1935 Index will be composed of only 288 stocks, compared with 312 throughout 1934.

Periodic revisions in the number, character and grouping of issues included in the list are essential to keeping the Index abreast with evolutionary changes in business as mirrored in the stock market. During a protracted period of rising prosperity, such as was experienced with but slight interruptions between 1925 and 1930, many ephemeral enterprises spring into the speculative limelight, and their stocks, by sheer force of activity, have to be included in the Price Index if it is to remain representative of the market as a whole during the boom phase. Not a few of such companies, however, are high cost producers or supply non-essentials which go begging in times of major business depression. In consequence of this, their earnings fall off and many pass into receivership; so that their stocks fall into disfavor among traders and investors during the progress of, and convalescence from, a major bear market such as we passed through between 1929 and 1932, inclusive. Hence they must be removed from an index designed to present a true cross section of the general price movement in active stocks. This explains why the Index expanded from 238 component issues in 1926, the year when it was first presented to our readers, up to a maximum number of 428 stocks in 1930, and then contracted to 280 issues in 1933. Roughly speaking, it will be ob-

THE MAGAZINE OF WALL STREET'S COMMON STOCK PRICE INDEX

Secular Progress of Group Indexes

Yearly Closing Indexes (1925 Cl.—100, unless otherwise stated)

Group	1926	1927	1928	1929	1930	1931	1932	1933	1934
COMBINED AVERAGE	95.7	116.3	165.4	109.0	62.2	30.0	27.4	52.9	54.6
Agricultural Implements	170.6	300.0	513.2	258.0	112.0	34.8	32.3	68.6	87.0
Amusements	115.2	102.9	253.8	129.6	88.5	31.2	16.9	27.1	27.1
Automobile Accessories	78.5	91.6	190.2	84.2	47.8	23.9	17.5	41.3	55.5
Automobiles	76.4	89.8	133.5	54.2	25.5	13.1	10.6	18.0	14.2
Aviation ('27—100)	.....	100.0	284.4	86.0	39.9	31.7	56.2	61.6	60.1
Baking ('26—100)	100.0	69.4	82.3	43.4	23.8	9.7	5.6	12.2	9.2
*Biscuit	120.6	187.0	225.2	189.9	185.5	112.5	96.0	145.6	107.1
Bottles & Corks ('32—100)	.....	.....	.....	.....	.....	.....	100.0	207.0	191.8
Business Machines	108.5	159.1	235.0	219.4	128.6	49.5	45.5	107.6	131.6
Cans	89.2	119.9	177.7	171.9	157.0	99.3	101.5	189.1	227.5
*Carbon & Nat. Gas ('30—100)	.....	.....	.....	.....	100.0	46.4	51.6	126.8	159.1
Chemicals	105.9	161.1	221.9	220.4	126.0	81.6	96.3	193.6	167.2
*Coal	.....	108.0	120.2	83.8	35.4	21.4	18.9	18.4	37.6
Construction	83.5	99.5	136.9	82.4	48.3	19.5	14.2	28.0	28.8
Copper	118.7	177.8	299.6	194.5	70.4	30.2	24.0	54.9	43.8
Dairy Products	80.0	70.4	120.4	86.5	83.0	47.2	32.6	25.7	32.0
Department Stores	67.0	68.0	86.5	38.0	21.5	10.1	7.9	19.6	21.2
Drugs & Toilet Articles	152.5	162.0	196.0	128.6	83.0	53.1	53.7	57.0	73.1
Electric Apparatus	100.2	129.6	183.5	172.9	115.8	46.9	42.2	75.4	78.7
Finance Companies	60.2	72.8	178.5	101.4	77.6	41.7	33.2	103.8	211.2
Food Brands	81.5	92.1	132.3	81.2	64.4	45.3	39.5	52.0	58.3
Food Stores	79.1	100.7	244.1	116.2	50.3	45.0	49.6	58.6	55.7
*Furniture & Floor Covering	91.6	127.4	185.0	109.2	31.6	21.8	17.0	46.6	45.4
Gold Mining	67.2	70.0	315.0	264.6	293.8	423.7	514.0	1180.8	1164.9
Household Equipment	103.4	97.0	110.8	57.3	29.9	17.0	12.4	26.0	35.6
Investment Trusts	75.2	93.2	154.4	125.7	61.0	19.1	22.0	22.1	20.8
Liquor ('32—100)	.....	.....	.....	.....	.....	.....	100.0	244.6	247.0
Mail Order	88.0	149.3	418.6	132.6	52.3	26.1	20.0	39.4	44.2
Meat Packing	86.0	77.9	104.4	54.2	30.3	30.1	27.2	57.2	62.0
Metal Mining & Smelting	102.4	134.7	238.0	132.1	72.7	38.3	30.1	132.6	127.8
Petroleum	95.3	95.6	164.4	106.7	52.4	23.4	33.2	66.0	58.2
Phonographs & Radio ('27—100)	.....	100.0	290.0	129.6	37.2	13.0	9.8	15.3	21.0
Public Utilities	96.3	179.5	215.5	224.9	150.4	78.1	63.5	49.0	34.8
Railroad Equipment	101.4	128.9	127.6	99.2	57.8	21.2	17.7	53.4	43.9
Railroads	98.5	132.0	147.1	129.0	69.8	22.5	18.1	34.5	25.8
*Realty	94.4	108.4	141.7	109.0	46.5	8.1	5.4	9.4	8.8
*Restaurants	81.4	104.0	131.0	127.2	81.9	41.8	27.0	20.4	25.3
Shipbuilding	79.6	74.9	77.4	62.2	28.9	8.8	6.7	30.0	41.6
Soft Drinks ('26—100)	100.0	152.9	208.6	198.4	160.4	82.0	60.8	126.7	145.0
Steel & Iron	79.7	88.7	138.8	117.3	63.5	25.8	23.3	51.8	54.4
Sugar	112.0	89.5	78.7	39.7	12.9	7.3	7.3	21.3	22.2
Sulphur	166.1	381.7	286.9	214.0	170.3	89.5	112.1	200.8	143.2
*Syrups	117.0	138.4	213.2	188.0	202.8	124.9	150.3	251.8	249.4
Telephone & Telegraph	104.6	123.8	150.1	168.8	97.4	44.5	35.9	61.4	45.2
Textiles	92.5	79.0	122.8	49.9	23.7	18.2	30.1	49.1	47.8
Tires & Rubber	64.4	96.6	104.0	25.6	10.9	4.9	4.4	11.0	9.0
Tobacco	161.6	190.3	180.9	83.4	59.3	48.3	48.2	69.4	84.7
Traction	129.5	107.6	126.6	65.2	67.2	26.1	22.7	57.2	65.0
Variety Stores	74.6	106.8	124.4	88.7	68.5	44.9	34.3	43.6	258.2

*—Not published regularly.

served that the number of stocks which go into the Index rises and falls with the total volume of transactions on the New York Stock Exchange; but with a one-year time lag, arising from the circumstance that this Index is revised only once a year.

It will be recalled that judgment plays no part in selecting the issues to be included in our Price Index. The choice is guided by a purely mechanical rule that common stocks in which transactions amounted to 500,000 shares or more during the preceding calendar year are automatically added to the list, and dropped after the annual transactions fall below 100,000 shares. An experience of nine years in computing the Index has amply confirmed the wisdom of this procedure; for it has served throughout that period to keep the Index highly representative of the market as a whole, and has at all times caused it to cover at least 90% of the total volume of transactions in all listed common stocks.

Computing the Index

In response to many inquiries, we present herewith a complete list of issues included in the 1935 Price Index, together with the following brief explanation of how the Index is computed:

Each group index, including the Combined Average, is derived separately, as follows:

First determine the price index of each component issue by finding the percentage ratio of its closing price for the current week to its closing price for the preceding year. Then find the unweighted, arithmetic average of these individual indexes. This gives an auxiliary index, called the "current year index". Finally, multiply this current year index by the group's closing index for the previous year, and divide by 100. The result will be the group's "secular index", as published.

The Price Index is compensated, by customary methods, for all stock dividends, split-ups and rights which are valued at 10% or more of the stock's current market price.

Group Changes

Last year the Combined Average was divided into 50 sub-groups, 43 of which were published regularly. The remaining seven, though computed weekly, were crowded out of our published tables owing to lack of space; but are included in the tabulation of yearly closings which accompanies the present article. This year, five of these groups have been discontinued;

(*Please turn to page* 413)

THE MAGAZINE OF WALL STREET'S
Common Stock Price Index
1935 Grouping of 288 Component Issues

A. Groups Published Regularly

5—AGRICULTURAL IMPLEMENTS
- Case
- Deere
- Int. Harvester
- Minn-Mol Pr. Imp.
- Oliver Farm Equip.

6—AMUSEMENTS
- Fox Film
- Loew's
- Paramount-Pub.
- Pathe
- R. K. O.
- Warner Bros.

13—AUTOMOBILE ACCESSORIES
- Bendix
- Bohn
- Borg
- Briggs
- Budd Mfg.
- Budd Wheel
- Cont. Motors
- Eaton Mfg.
- Elec. Auto-Lite
- Houd. Hershey "B"
- Murray
- Stewart-Warner
- Timken-Detroit

13—AUTOMOBILES
- Auburn
- Chrysler
- General
- Graham-Paige
- Hudson
- Hupp
- Mack
- Nash
- Packard
- Pierce-Arrow
- Reo
- Studebaker
- Yellow Truck

5—AVIATION
- Aviation Corp.
- Curtiss-Wright
- Douglas Aircraft
- No. Am. Aviation
- United Aircraft

3—BAKING
- Cont. Baking "B"
- Gen. Baking
- Purity

2—BOTTLES & CORKS
- Crown Cork
- Owens-Ill. Glass

4—BUSINESS MACHINES
- Burroughs
- Nat. Cash "A"
- Rem-Rand
- Underwood

2—CANS
- Am Can
- Cont. Can

8—CHEMICALS
- Allied
- Am. Com. Alc.
- Com. Solvents
- du Pont
- Mathieson
- Union C. & C.
- U. S. Indus. Alc.

16—CONSTRUCTION
- Am. Mach. & Fndry.
- Am. Radiator
- Byers
- Caterpillar
- Evans Prods.
- Foster Wheeler
- Gen. Asphalt
- Int. Cement
- Johns-Manville
- Otis Elevator
- Penn-Dixie Cem.
- Thompson-Starrett
- Timken Roll. Brng.
- U S. Pipe
- Warren Bros.
- Worthington

5—COPPER
- Anaconda
- Cal. & Hecla
- Granby
- Kennecott
- Phelps-Dodge

2—DAIRY PRODUCTS
- Borden
- Nat. Dairy

8—DEPARTMENT STORES
- Ass. Dry Goods
- Best
- City Stores
- Hahn
- Macy
- Marshall Field
- May
- Penney

7—DRUGS & TOILET ARTICLES
- Coty
- Gillette
- Lambert
- McKesson
- United Drug
- Vadsco
- Zonite

3—ELECTRIC APPARATUS
- Allis-Chalmers
- Gen. Electric
- Westinghouse Mfg.

2—FINANCE COMPANIES
- Commercial Credit
- Com. Invest. Trust

7—FOOD BRANDS
- Calif. Packing
- Corn Products
- Gen. Foods
- Gold Dust
- Loft
- Nat. Biscuit
- Stand. Brands

4—FOOD STORES
- First National
- Kroger
- Nat. Tea
- Safeway

3—FURNITURE & FLOOR COVERING
- Congoleum
- Simmons
- Spiegel-May-Stern

3—GOLD MINING
- Alaska Juneau
- Dome Mines
- McIntyre Porcupine

5—HOUSEHOLD EQUIPMENT
- Colgate-Palm-Peet
- Diamond Match
- Kelvinator
- Procter & Gamble
- Servel

4—INVESTMENT TRUSTS
- Am. Internat.
- Lehman
- Transamerica
- Tri-Continental

3—LIQUOR
- Nat. Distillers
- Peerless
- Schenley

2—MAIL ORDER
- Montgomery Ward
- Sears, Roebuck

3—MEAT PACKING
- Armour, Ill.
- Gobel
- Wilson

11—METAL MINING & SMELTING
- Am. Metals
- Am. Smelt. & Ref.
- Cerro de Pasco
- Howe Sound
- Int. Nickel
- Noranda Mines
- Park Utah
- Patino Mines
- St. Joseph Lead
- U. S. Smelting
- Vanadium

23—PETROLEUM
- Amerada
- Atlantic Ref.
- Barnsdall
- Cons. Oil
- Cont. Oil (Del.)
- Houston (new)
- Mid-Cont.
- Ohio
- Phillips
- Pierce Pet.
- Plymouth
- Pure
- Seaboard Oil
- Shell Union
- Simms
- Socony
- S. O., Calif.
- S. O., N. J.
- Superior
- Texas Corp.
- Tex. Pac. Coal & Oil
- Tidewater-Assoc.
- Union Oil of Calif.

3—PHONOGRAPHS & RADIO
- Elec. & Musical Ind.
- Radio Corp.
- Sparks-With.

18—PUBLIC UTILITIES
- Am. & For. Pr.
- Am. Pr. & Lt.
- Am. W. W.
- Columbia G. & E.
- Commonwealth & So.
- Cons. Gas (N. Y.)
- Elec. Pr. & Lt.
- Int. Hyd.-Elec. "A"
- Nat Pr. & Lt.
- North American
- Pacific G. & E.
- Pacific Lighting
- Pub. Serv., N. J.
- So. Calif. Edison
- Standard G. & E.
- Stone & Webster
- United Gas Imp.
- Util. Pr. & Lt. "A"

8—RAILROAD EQUIPMENT
- Am. Car & Fndry.
- Am. Locomotive
- Am. Stl. Fndries.
- Baldwin
- Gen. Am. Trans.
- Gen. Ry. Signal
- Pullman
- Westinghouse A. B.

25—RAILROADS
- Atchison
- Atlantic Coast
- B. & O.
- Can. Pac.
- C. & O.
- Chic., Mil., St. P. & P.
- Chic. & N. W.
- Chic., R. I. & P.
- D. & H.
- D., L. & W.
- Erie
- Gt. Nor. Pfd.
- Ill. Central
- Lehigh Valley
- L. & N.
- M., K. & T.
- N. Y. Central
- N. Y., N. H. & H.
- Nor. Pac.
- Pennsylvania
- Seaboard Air Line
- So. Pac.
- So. Ry.
- U. P.
- Western Md.

3—REALTY
- Gen. Realty
- N. Y. Investors
- U. S. Realty

3—SHIPBUILDING
- Elec. Boat
- N. Y. Shipbuilding
- Sperry

10—STEEL & IRON
- Am. Roll. Mill
- Beth. Steel
- Colo. Fuel & I.
- Ludlum
- Nat. Steel
- Otis Steel
- Republic
- Truscon
- U. S. Steel
- Youngstown S. & T.

5—SUGAR
- Am. Crystal
- Am. Sugar Ref.
- Cuban-Amer.
- Great West.
- So. Porto Rico

2—SULPHUR
- Freeport
- Texas Gulf

3—TELEPHONE & TELEGRAPH
- Am. Tel. & Tel.
- Int. Tel. & Tel.
- Western Union

9—TEXTILES
- Am. Woolen
- Belding-Hem.
- Celanese
- Collins & Aikman
- Cons. Textile
- Gotham
- Indus. Rayon
- Kayser

5—TIRES & RUBBER
- Firestone
- Goodrich
- Goodyear
- Kelly-Springfield
- U. S. Rubber

4—TOBACCO
- Am. Tobac. "B"
- Lig. & Myers "B"
- Lorillard
- Reynolds "B"

3—TRACTION
- B. M. T.
- I. R. T.
- Man. Mod. Gtd.

3—VARIETY STORES
- Kresge (S. S.)
- McLellan
- Woolworth

B. Groups Not Published Regularly

2—CARBON & NATURAL GAS
- Columbian Carbon
- United Carbon

11—UNCLASSIFIED
- Am. Ice
- Canada Dry
- Cont. Ins.
- Eastman Kodak
- Glidden
- Libbey-Owens
- Marine Midland
- Phila. & Rdg. C. & I.
- Shattuck
- Tex. Pac. Land Tr.
- United Fruit

For Profit and Income

Employee-ownership Repercussions

Permitting employees to buy small quantities of stock over a period of time and at advantageous levels has been a popular paternal gesture on the part of large corporations over the past few years—promotes thrift and loyalty they claim. But are they going to feel so gracious about their various plans when they find the employees bunching stock together and demanding representation on the Board of Directors? Perhaps: at any rate it is what the unionized telephone operators are doing today. These operators contend that they own 16% of the outstanding stock of the American Telephone & Telegraph Co., whereas the management owns but 2% and, therefore, that they ought to have a seat on the Board. Being affiliated with the American Federation of Labor, they have hopes that such control of a seat would tend to prevent the company using its funds and other property for the purpose of promoting company unions—to which, of course, they object. Developments will be interesting to isolated stockholders of this and other corporations similarly situated.

* * *

R. J. Reynolds

To the R. J. Reynolds Tobacco Co., goes the distinction of being the first major company to issue its complete report for 1934. Last year, the company's net operating income totalled $27,165,987 as compared with $19,701,596 in 1933, a gain of about 75%, reflecting principally the marked increase in the sales of Camel Cigarettes. The latter are reported to have shown the largest gains of any of the leading brands. Net income, or the stockholders' equity in profits, however, was only moderately higher in 1934, amounting to $21,536,894 as against $21,153,721 in 1933. At the same time, it should be recalled that in 1933, the company's earnings were bolstered by a non-recurring profit of about $5,000,000 obtained from the sale of class "B" shares held as an investment and a $4,000,000 advertising reserve set up in 1932 was utilized for that purpose the following year. Applied to the 10,000,000 combined shares of class "B" and common stock, earnings last year were equal to $2.15 a share, comparing with $2.11 a share in 1933. Although working capital, notably cash and U. S. Government securities, was reduced by the maintenance of regular $3 dividends, not fully earned, current assets at the end of the year totalled $133,581,616, while current liabilities were less than $8,000,000. For the present, at least, this evidence of financial strength should allay any fears as to the safety of dividends, even in the face of substantially higher raw material costs.

* * *

I. C. C. on Rail Expenditures

The railroads as a whole are generally conceded to be in pitiful financial plight—fault of a smaller volume of traffic, increased costs of materials, and higher taxes. The Interstate Commerce Commission, however, has just issued a report which makes one wonder whether the roads are doing everything possible to help themselves. The report showed that the Class 1 railroads of the country had spent nearly $85,000,000 in the four years 1930-1933 for services over and above those actually necessary for the construction and maintenance of their own lines. It was pointed out that the New York Central had expended $687,000 for "services as foreign agents" whereas the Pennsylvania's expenditure for similar services was only about $70,000 and the Erie's $46,000. It would seem now that it were up to the roads making larger than normal disbursements to justify them to their stockholders.

(*Please turn to page 415*)

Coming Dividend Meetings

Company	Approx. Date	Probable action (on the common)
American Tobacco	Jan. 30	Regular $1.25.
Archer-Daniels-Midland	Jan. 31	More than regular 25 cents.
Borden Co.	Jan. 29	Regular 40 cents.
Bristol Myers	Jan. 23	Regular 50 cents and usual 10 cents extra.
Caterpillar Tractor	Jan. 23	More than usual 25 cents.
Colgate-Palmolive-Peet	Jan. 23	Regular 12.5 cents.
Diamond Match	Jan. 24	Regular 25 cents.
Dow Chemical	Jan. 22	At least 50 cents.
Freeport Texas	Jan. 24	Regular 50 cents.
Harbison-Walker	Jan. 21	25 cents.
Ingersoll-Rand	Jan. 30	50 cents.
Int. Business Machines	Jan. 29	At least $1.50.
Lehn & Fink	Jan. 25	Regular 37.5 cents.
Liggett & Myers	Jan. 23	Regular $1 and extra.
Monsanto Chemical	Jan. 22	Regular 25 cents and extra.
Norfolk & Western	Jan. 22	Regular $2 and $2 extra.
Phillips Petroleum	Jan. 21	Usual 25 cents.
Pillsbury Flour	Jan. 29	Regular 40 cents.
Reynolds Metals	Jan. 22	Regular 25 cents.
Sherwin-Williams	Jan. 22	More than regular 75 cents
Standard Oil of Cal.	Jan. 29	Regular 25 cents.
Sterling Products	Jan. 23	Regular 95 cents.
Sun Oil	Jan. 22	Regular 25 cents.
United Gas Improvement	Jan. 23	Regular 30 cents.
Westvaco Chlorine	Jan. 25	Regular 10 cents and extra.

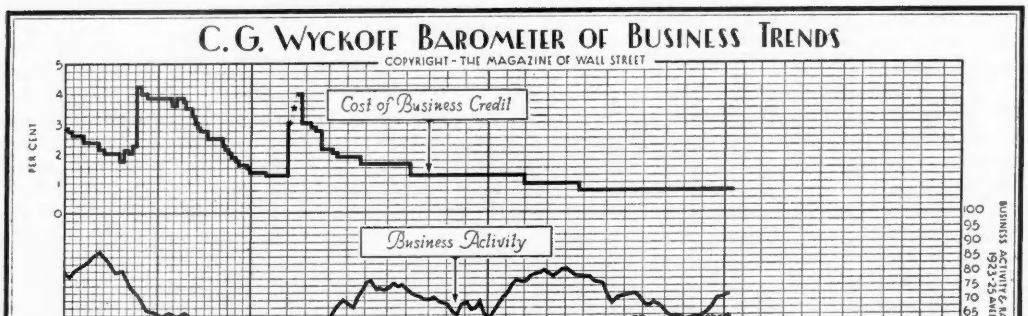
Taking the Pulse of Business

— Business Activity Advances
— Strike Threats Menace Steel
— Motor Prospect Brighter
— Electric Appliances Gain
— Raw Material Prices Rise

WITH each convening of Congress under the New Deal, events of absorbing interest to business men and investors begin to happen with disconcerting rapidity, and the fortnight which has elapsed since our last issue was unusually replete with history-making developments, both at home and abroad. In Europe, voting was begun in the Saar plebiscite, the outcome of which will doubtless be known before this article is off the press. And then, close upon the heels of an announcement that steel production in Germany, spurred by heavy manufactures of armament, had jumped 104% since the advent of Hitler, came the news that France has ceded to Italy 44,500 square miles of territory in Africa, and so ended amicably all outstanding disputes between those two nations. It is hoped that the former European allies can now agree with England upon concessions which will bring Germany back into the League of Nations and thereby dispel the war dread which has stifled foreign trade.

At home, President Roosevelt's address before the Seventy-fourth Congress, while dampening to the hopes of the radicals, was on the whole reassuring to orthodox business leaders as indicating that the Administration is now desirous of tapering off its pump-priming expenditures as fast as private industry can take up the slack in employment. That the Government henceforth will refrain from paying wages on its made work so high as to compete with private employers is a decision that has been exceptionally well received in quarters where a sincere effort is being made to co-operate with the White House. The estimated budget of something over eight billions for the 1935-6 fiscal year about meets with earlier expectations and, falling a few hundred millions short of the current year's expenditures, can probably be financed, as the President states, without undue strain upon the Government's credit. It must be admitted, however, that the great threat of ultimate inflation lies in the ominous circumstance that almost no progress is being made toward balancing the budget. Neither is there any certainty, in view of demands for payment of the soldiers' bonus and other pending raids upon the Treasury, that next year's expenditures can be kept within the President's estimates.

Meanwhile our Business Activity index continues to mount rapidly, having now advanced to above 72% of the 1923-5 average, a gain of more than 13% since November. The showing made by industries entering into the calculations of this index has, however, been by no means uniform over the holiday season. Spurred chiefly by an insistent consumer demand, though partly by apprehension of further labor trouble, there has been an exceptionally vigorous upturn in steel and automobile production; though this has been partially offset by more than seasonally large declines in car loadings, coal and electric power, perhaps occasioned by the incidence of warmer weather. The National Retail Dry Goods Association estimates that retail sales last year, exclusive of mail order houses, exceeded those of 1933 by 14.7% in dollar totals and by 10%



in unit volume, the first upturn for any year since 1929. Trade union employment in December was up about 3% from the previous year.

Led by raw sugar, the Raw Material Price index advanced sharply during the past fortnight. Further strength in the bond market has been well distributed, possibly in response to the President's hint that railroad competition may be lessened by establishment of some sort of control over transportation by water and by truck. Governments have been unusually active; but have made little progress in either direction. The Common Stock index has maintained a generally firm tone in response to the rising tide of industrial activity; though a moderate amount of profit taking cropped out in certain sections of the list.

The Trend of Major Industries

STEEL—Threats of labor trouble within the automobile and steel industries next month, conjoined with rapidly rising sales of agricultural implements, motor cars and other products requiring the metal have boosted the steel ingot rate to beyond 45% of capacity, compared with a rate of only 25% a year ago at this time. Viewing last year as a whole, it appears that activity improved at a considerably slackened pace as compared with the previous year's phenomenal pick-up. Actual ingot output for the year just closed amounted to approximately 26,000,000 tons, or 37% of capacity. This represented an increase of about 12% over 1933, whereas 1933 reported a 70% gain over the depression's worst year, 1932. Of the total tonnage for 1934, automobiles took 21%, compared with 19% in 1933; construction took 13.5%, against 11.5%; the railroads took 10.5%, compared with the record low of 9% in 1933; and containers took only 10%, compared with 13.5%.

METALS—Open market purchases of silver abroad by the Government in 1934 amounted to 185,000,000 ounces, all but 15,000,000 of which may be said to have been supplied by China, who is normally an importer of the metal on balance. Based on our gold stocks at the year-end, the Treasury has still 1,120,000,000 ounces to buy in order to attain the 1 to 3 ratio between silver and gold. Total acquisitions last year by the Treasury are estimated at about 317,000,000 ounces; including 111,000,000 requisitioned, and 21,000,000 ounces of newly mined domestic silver. The price up to prsent writing has recovered to 55 cents. Other non-ferrous metal prices have changed little during the past fortnight. Only 19,500 tons of copper were sold here in December. At this rate it would take three years to work off domestic stocks of 750,000 tons with all U. S. mines shut down.

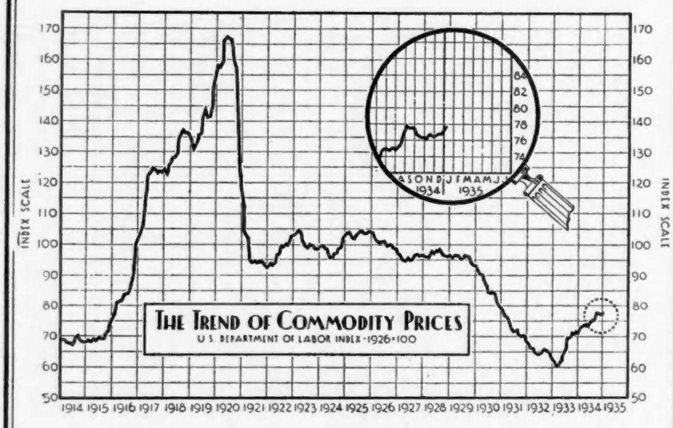
PETROLEUM—Just as the Federal Tender Board was receiving congratulations for having virtually stopped shipments of "hot oil" from Texas, comes a knockout blow from the Supreme Court in the form of a decision declaring the oil clause of N R A unconstitutional. Administrator Ickes plans to rush new and better regulations through Congress. Opinion within the industry is somewhat divided. Some applaud the decision and say that the states can handle the situation better without Federal meddling. Of course, this is quite evident from the success of previous efforts at self control and regulation by local politicians. Meanwhile, the stock market watches this game of hide and seek with indifferent interest.

UTILITIES—The Consolidated Gas Co. of New York has bowed to the political spirit of the times and submitted a plan to consolidate its electric subsidiaries, write down the book value of assets upon which its charges have been based, and reduce its rates by way of preparation for applying a modified form of the Washington plan to New York City and its environs. The common stock has received mild encouragement from this announcement, on the theory that lower rates may bring greater consumption and tend to check the decline in earnings. A further ray of hope for the industry may be seen in a recently published opinion of the Federal Power Commission that a resumption of normal industrial activity may disclose a critical shortage of power in certain districts.

ELECTRIC APPARATUS—Westinghouse Manufacturing Co. reports that its sales of electric appliances last year were 73% larger than in 1933, and the greatest on record. The company anticipates that 1935 will be a big year in electric refrigerators. It is believed that the Government's activities in the utility field will not only bring an increased demand for heavy equipment, but also create a broader market for appliances in consequence of the trend toward lower rates.

Conclusion

Events during the past fortnight, both at home and abroad, have been distinctly favorable to further improvement in business activity. Recent political developments point to a resumption before long of freer international trade through a lessening of the war fears in Europe. At home, the physical volume of production, distribution and trade has expanded by 13% since the end of November and, with prospects that Government expenditures will continue on a heavy scale for yet another fiscal year, still further gains seem probable as the year wears on. About the only cloud visible on the business horizon just now is the possibility of labor trouble in February, which might cause a temporary check to the recovery.

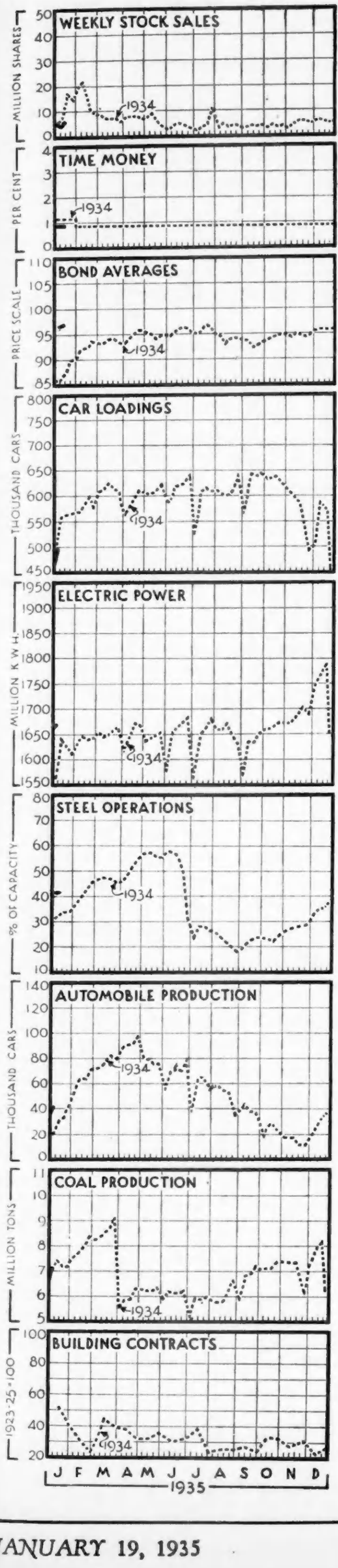


Changes in Major Commodity Price Group for the Fortnight Ended January 5, 1935

Farm Products	up	4.4	Metals	up	0.1
Foods	up	3.1	Building materials	down	0.1
Hides and leather	up	0.4	Chemicals	up	1.0
Textiles	up	0.3	Housefurnishings	down	0.2
Fuel and lighting	down	0.9	Miscellaneous	down	0.2

The Magazine of Wall Street's Indicators

Business Indexes



Common Stock Prices Index

1934 Indexes High	1934 Indexes Low	1934 Indexes Close	Number of Issues	(1925 Close—100)	1935 Indexes High	1935 Indexes Low	Jan. 1	Jan. 5	Jan. 12
71.2	45.0	54.6	288	COMBINED AVERAGE...	56.4	52.8	54.6	56.4	52.8
105.7	44.2	87.0	5	Agricultural Implements....	88.1	78.9	87.0	88.1	78.9
42.3	20.2	27.1	6	Amusements..............	27.1	23.7	27.1	26.4	23.7
58.9	35.2	55.5	13	Automobile Accessories....	57.4	53.3	55.5	57.4	53.3
24.9	11.8	14.2	13	Automobiles..............	16.8	14.1	14.2	16.8	14.1
92.5	43.6	60.1	5	Aviation (1927 Cl.—100)....	60.1	55.7	60.1	59.8	55.7
17.4	8.7	9.2	3	Baking (1926 Cl.—100).....	9.2	8.8	9.2	8.8	9.1
240.9	153.6	191.8	2	Bottles & Cks. (1932—100)..	193.7	185.4	191.8	193.7	185 4
136.0	100.0	131.6	4	Business Machines........	133.4	129.0	131.6	133.3	129 0
229.5	178.9	227.5	2	Cans....................	230.8	226.1	227.5	230.8	226.1
210.5	134.3	167.2	8	Chemicals................	169.9	161.5	167.2	169.9	161.5
37.2	22.1	28.8	16	Construction.............	31.4	28.8	28.8	31.4	28.9
70.1	40.1	43.8	5	Copper...................	47.2	43.7	43.8	47.2	43.7
37.0	25.7	32.0	2	Dairy Products...........	33.1	31.7	32.0	33.1	31.7
26.8	16.4	21.2	8	Department Stores........	22.0	20.4	21.2	22.0	20.4
84.2	56.0	73.1	7	Drugs & Toilet Articles.....	73.1	70.2	73.1	72.4	70.2
91.3	59.1	78.7	3	Electric Apparatus.........	79.2	76.4	78.7	79.2	76.4
211.2	103.8	211.2	2	Finance Companies........	219.2	211.2	211.2	215.1	219.2H
64.0	51.1	58.3	7	Food Brands..............	59.3	57.8	58.3	59.3	57.8
71.1	55.1	55.7	4	Food Stores..............	56.4	53.6	55.7	56.4	53.6
58.8	36.2	45.4	3	Furniture & Floor Coverings	45.4	43.0	45.4	44.8	43.0
1372.0	1106.0	1164.9	3	Gold Mining.............	1170.7	1110.0	1164.9	1170.7	1110.0
35.6	25.1	35.6	5	Household Equipment.....	35.8	35.4	35.6	35.8H	35.4
31.8	19.3	20.8	4	Investment Trusts.........	20.8	19.6	20.8	20.6	19.6
295.5	164.0	247.0	3	Liquor (1932 Cl.—100).....	273.9	247.0	247.0	273.9	255.8
53.4	34.2	44.2	2	Mail Order...............	44.7	41.4	44.2	44.7	41.4
88.6	51.9	62.0	3	Meat Packing.............	62.2	57.7	62.0	62.2	57.7
160.1	117.4	127.8	11	Metal Mining & Smelting..	131.3	121.1	127.8	131.3	121.1
86.8	52.0	58.2	23	Petroleum................	60.2	56.4	58.2	60.2	56.4
25.0	15.2	21.0	3	Phonos. & Radio (1927-100)	21.0	19.2	21.0	20.9	19.2
72.8	32.1	34.8	18	Public Utilities...........	34.8	34.5	34.8	34.8	34.5
66.2	34.9	43.9	8	Railroad Equipment.......	43.9	42.2	43.9	43.7	42.2
52.0	24.5	25.8	25	Railroads................	26.7	24.4	25.8	26.7	24.4
15.9	6.0	8.8	3	Realty...................	8.9	8.3	8.8	8.9	8.3
50.2	28.9	41.6	3	Shipbuilding..............	43.4	39.7	41.6	43.4	39.7
77.0	42.0	54.4	10	Steel & Iron..............	55.0	51.4	54.4	55.0	51.4
31.3	20.4	22.2	5	Sugar....................	23.6	21.5	22.2	23.6	21.5
214.0	131.5	143.2	2	Sulphur..................	143.2	136.0	143.2	142.9	136.0
70.3	40.2	45.2	3	Telephone & Telegraph....	45.5	43.4	45.2	45.5	43.4
65.8	37.5	47.8	8	Textiles..................	50.7	47.8	47.8	50.7	48.4
14.6	7.6	9.0	5	Tires & Rubber...........	9.0	8.4	9.0	8.9	8.4
88.6	66.5	84.7	4	Tobacco..................	87.6	82.7	84.7	87.6	82.7
73.5	43.5	65.0	3	Traction..................	66.8	62.4	65.0	66.8	62.4
275.5	43.6	258.2	3	Variety Stores............	258.2	237.1	258.2	253.3	237.1

H New HIGH record since 1931.

(An unweighted index of weekly closing prices; compensated by stock dividends, splitups, and rights, and covering about 90% of the volume of transactions in all Common Stocks listed on the New York Stock Exchange.)

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ATLAS POWDER CO.

Please explain the recent weakness in Atlas Powder. Is this due to investigation into "war profits"? I feel this might be a good time to buy 100 shares of this stock for investment—but I will be guided by your advice.—V. N. D., Indianapolis, Ind.

Since the Atlas Powder Co. does not manufacture military explosives, the recent market action of its common stock can hardly be attributed to the Federal investigation of munitions manufacturers. Rather, general market influences, mounting costs and a slight decline in sales during the September quarter of last year are probably responsible. Thus, net profit of the company for the quarter ended September 30, last, amounted to $248,509, against $322,472 in the preceding quarter and $307,782 in the September quarter of 1933. Because of the fact that there are 98,609 shares of $6 preferred stock preceding the 261,438 shares of common, the earnings decline on the latter was accentuated; per share earnings on the common stock in the September quarter of last year amounted to 49 cents, compared with 78 cents in the preceding quarter and 74 cents in the September quarter of the previous year. With a great portion of explosives manufactured sold to the coal mining industry, increased sales were undoubtedly enjoyed in the final quarter. It seems probable, therefore, that full year 1934 earnings closely approximated $3 per share on the common stock, which would compare with actual earnings of only 74 cents a share in 1933. The balance sheet dated September 30, 1934, showed current assets of $10,255,957, including cash and equivalent alone of $5,142,390, and current liabilities of only $599,563. Thus, an upward revision in the present $2 annual dividend on the common stock is a possibility which should not be overlooked. While explosives still constitute the major portion of its business, Atlas Powder should benefit from the indicated improvement in the automotive industry, since it produces lacquers, leather cloth and miscellaneous coated fabrics. Its explosive business is expected to expand in line with increased mining activities and construction. Considering the well-secured dividend and the factors favoring increased earnings, a commitment in the shares should prove profitable.

COMMERCIAL SOLVENTS CORP.

In view of its financial position, capital set-up, and earnings it seems to me that Commercial Solvents should sell higher. There may be adverse factors I have not considered. I will appreciate hearing from you.—M. S. T., Bridgeport, Conn.

As you may know, Commercial Solvents Corp. is primarily a manufacturer of industrial solvents derived from the distillation of corn by the Weizmann process. Products from this source include butyl alcohol, acetone and some ethyl alcohol. By-product gases yield synthetic wood alcohol and carbon dioxide. The uses of these products are numerous. Butyl alcohol is employed in the manufacture of lacquers, the principal consuming outlets for which are the automobile and furniture industries. Acetone is employed in many chemical processes, but principally by the artificial silk and photographic industries. Synthetic wood alcohol also has many practical uses among which are the manufacture of synthetic resins and plastics, while carbon dioxide gas, when compressed, forms the now widely employed dry-ice. After processing the corn, there remains crude corn oil and cattle feed for which there is a ready market. In addition to the distillation of corn, the company, through subsidiaries, produces alcohol from molasses and grain. That produced from the fermentation and distillation of molasses is widely used as an automobile anti-freeze, while grain alcohol is now being taken in large quantities by the rectifiers of whiskies and other alcoholic beverages. Until recently the company owned a 30% stock interest in Krebs Pigment & Color Corp., but this has just been sold to E. I. du Pont de Nemours & Co., which already held 70% of the stock. The consideration for the sale is understood to have been $7,420,000. With indicated current earnings well in excess of dividend requirements and with the company's diversity of consuming outlets apparently assuring it of benefiting from further improve-

(Please turn to page 409)

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New York Stock Exchange

Rails

	1932		1933		1934		Last Sale	Div'd $ Per
A	High	Low	High	Low	High	Low	1/9/35	Share
Atchison	94	17⅞	80⅛	34⅝	73¾	45¼	54¼	‡2
Atlantic Coast Line	44	9¾	59	16½	54¼	24½	35¼	..
B								
Baltimore & Ohio	21⅜	3¾	37⅞	8¼	34½	12¾	14½	..
Brooklyn-Manhattan Transit	50¼	11⅛	41¼	21¾	44⅞	28¼	40	‡1½
C								
Canadian Pacific	20⅝	7¼	20⅞	7½	18¼	10⅞	12¾	..
Chesapeake & Ohio	31½	9¾	49¼	24⅝	48⅝	39½	45	2.80
C. M. & St. Paul & Pacific	4½	¾	11¾	1	8½	2	2¾	..
Chicago & Northwestern	14½	2	16	1¼	15	3½	5⅜	..
Chicago, Rock Is. & Pacific	16⅜	1½	10⅛	2	6¼	1⅜	2¼	..
D								
Delaware & Hudson	92½	32	93¾	37⅝	73½	35	41¾	..
Delaware, Lack. & Western	45⅞	8½	46	17¼	33¾	14	18⅛	..
E								
Erie R. R	11¾	2	25¾	3¾	24⅞	9⅜	12⅞	..
G								
Great Northern Pfd	25	5½	33¾	4⅝	32½	12¼	16⅜	..
I								
Illinois Central	24⅞	4¾	50¾	8½	38⅞	13⅝	16⅜	..
Interborough Rapid Transit	14⅝	2¼	13¾	4⅛	17½	5½	14¼	..
K								
Kansas City Southern	15¼	2¼	24⅞	6½	19¾	6⅝	8⅜	..
L								
Lehigh Valley	29¼	5	27¾	8⅝	21¼	9½	10⅛	..
Louisville & Nashville	38¼	7½	67½	21¼	62½	37¾	47	‡3
M								
Mo., Kansas & Texas	13	1¼	17⅛	5¾	14⅞	4⅜	5⅞	..
Missouri Pacific	11	1½	10¼	1⅛	6	1½	2⅜	..
N								
New York Central	36⅝	8¾	58½	14	45¼	18⅜	20⅞	..
N. Y., Chic. & St. Louis	9¾	1½	27⅝	2⅛	26⅞	9	12¾	..
N. Y., N. H. & Hartford	31⅝	6	34⅞	11⅛	24⅛	6	7⅝	..
N. Y., Ontario & Western	15¾	3⅝	15	7½	11⅝	4½	5¼	..
Norfolk & Western	135	57	177	111½	187	161	172	*10
Northern Pacific	25⅜	5½	34⅞	9⅝	36¼	14½	20⅝	..
P								
Pennsylvania	23⅜	6½	42¼	13¾	39⅛	20⅛	24¼	‡1
R								
Reading	52¼	9½	62½	23½	56⅜	35⅛	42	2
S								
St. Louis-San Fran	6⅝	⅝	9	⅞	4⅝	1⅛	2	..
Southern Pacific	37⅝	6½	38¾	11⅛	33¾	14⅞	18	..
Southern Railway	18½	2½	36	4⅛	36½	11½	15⅝	..
U								
Union Pacific	94½	27⅝	132	61¼	133⅞	90	109	6
W								
Western Maryland	11⅜	1½	16	4	17¼	7⅛	9⅜	..
Western Pacific	4¾	½	9½	1	8½	2⅝	3	..

Industrials and Miscellaneous

	1932		1933		1934		Last Sale	Div'd $ Per
A	High	Low	High	Low	High	Low	1/9/35	Share
Adams Express	9½	1⅝	13¼	3	11⅞	6¼	6⅞	..
Air Reduction, Inc	63½	30⅞	112	47½	113	91¾	115	3
Alaska Juneau	16⅝	7¾	33	11⅛	23⅞	16⅝	19⅝	*1.20
Alleghany Corp	3⅝	⅜	8¼	⅞	5¼	1¼	1¾	..
Allied Chemical & Dye	88¼	42½	152	70¾	160¾	115⅛	138½	6
Allis Chalmers Mfg	15⅜	4	26¾	6	23⅜	10⅜	17	..
Amer. Brake Shoe & Fdy	17⅞	6½	42½	9⅛	38	19½	28⅝	.80
American Can	73⅞	29⅝	100½	49½	114¾	90¼	114½	*5
Amer. Car & Fdy	17	3⅛	39¾	6⅛	33⅞	12	19¾	..
Amer. Com'l Alcohol	27	11	89⅞	13	62½	20¾	30¾	..
American & Foreign Power	15	2	19⅝	3⅞	13¾	3⅞	4⅞	..
Amer. International Corp	12	2½	15⅛	4¼	11	4¾	6½	..
Amer. Mach. & Fdry	22¼	7½	22⅜	8¾	23⅝	12⅜	22	.80
Amer. Power & Light	17¼	3	19⅞	4	12¼	3	3⅜	..
Amer. Radiator & S. S	12¼	3⅛	19	4⅝	17⅝	10	15⅝	..
Amer. Rolling Mill	18½	3	31⅞	5¾	28¼	13½	23¼	..
Amer. Smelting & Refining	27¼	5⅛	53½	10¾	51¼	30¼	38½	..
Amer. Steel Foundries	15⅛	3	27	4⅝	26½	10⅛	17⅛	..
Amer. Sugar Refining	39¼	13	74	21½	72	46	67	2
Amer. Tel. & Tel.	137⅜	70¼	134¾	86½	125¼	100⅛	105¼	9
Amer. Tobacco Com	86¾	40½	90½	49	85½	65¼	83¾	5
Amer. Tob. B	89¾	44	94¾	50¾	89	67	85	5
Amer. Water Works & Elec	34½	11	43¼	10⅞	27⅝	12⅝	14¾	1
Amer. Woolen	10	1⅝	17	3½	17⅛	7	8⅝	..
do Pfd	39⅞	15½	67½	22⅝	83¾	36	43¼	..
Anaconda Copper Mining	19⅜	3	22⅞	5	17¾	10	11⅝	..
Atlantic Refining	21⅞	8⅝	32½	12⅜	35¼	21½	24⅝	1
Auburn Auto	151¾	28¾	84¼	31	57⅜	16½	27⅝	..
Aviation Corp. Del	8⅞	1½	16⅜	5½	10¾	3¾	5⅛	..
B								
Baldwin Loco. Works	12	2	17⅝	3½	16	4½	6⅜	..
Barnsdall Corp	7	3⅜	11	3	10	5⅞	6⅝	..
Beatrice Creamery	43½	10½	27	7	19¾	10¼	17½	..

Price Range of Active Stocks

Industrials and Miscellaneous *(Continued)*

	1932 High	1932 Low	1933 High	1933 Low	1934 High	1934 Low	Last Sale 1/9/35	Div'd $ Per Share
B								
Bendix Aviation	18¾	4½	21¼	6⅛	23⅞	9¾	16½	..
Best & Co	24⅞	5¾	33⅛	9	40	26	35¾	2
Bethlehem Steel Corp	29⅝	7¼	49⅛	10⅛	49½	24⅛	34	..
Bohn Aluminum	22¼	4⅞	58½	9½	68¾	44½	59	3
Borden Company	43⅛	20	37⅜	18	28¼	19⅞	24¾	1.60
Borg Warner	14¼	3⅜	22¼	5½	31⅜	16⅛	29⅞	*1¼
Briggs Mfg	11¾	2⅞	14⅝	2⅝	28⅜	12	28½	2
Burroughs Adding Machine	13¼	6¼	20⅞	6⅛	19⅜	10½	15⅜	.40
Byers & Co. (A. M.)	24⅝	7	43¼	8½	32¾	13¾	19½	..
C								
Canada Dry Ginger Ale	15	6	41¼	7½	29½	12½	15⅝	1
Case, J. L	65¾	16¾	103½	30½	86¾	35	58¼	..
Caterpillar Tractor	15	4⅜	29¾	5½	38¾	23	39¼	1
Celanese Corp	12⅝	1¼	58⅞	4½	44⅞	17⅛	33½	..
Cerro de Pasco Copper	15½	3½	44¾	5⅞	44½	30¼	45⅛	2
Chesapeake Corp	20¾	4⅞	52½	14⅞	48⅞	34	44	2½
Chrysler Corp	21¾	5	57⅝	7¾	60⅜	29¼	40⅛	1
Coca-Cola Co	120	68½	105	73½	161½	95¼	172	*7
Colgate-Palmolive-Peet	31½	10¼	22⅜	7	18⅛	9⅜	17¾	.50
Columbian Carbon	41⅞	13½	71¼	23⅛	77¼	58	74¼	3.40
Colum. Gas & Elec	21	4¼	28⅛	9	19¼	6⅝	7¼	..
Commercial Credit	11	3⅞	19¼	4	40¼	18⅝	44⅜	2
Comm. Inv. Trust	27⅞	10⅞	43½	18	61	35¾	61½	*2½
Commercial Solvents	13¾	3½	57¼	9	36¾	15¾	23	.60
Commonwealth & Southern	5⅛	1⅝	6⅛	1¼	3¾	1	1⅛	..
Congoleum-Nairn	12¼	6½	27⅝	7⅜	35⅜	22	24¼	1.60
Consolidated Gas of N. Y	68¾	31½	64⅛	34	47⅜	18½	20¾	1
Consol. Oil	9	4	15¾	5	14¼	7¼	8	‡.42
Continental Baking Cl. A	8	2⅞	18¼	3	14⅝	5¼	6½	..
Continental Can, Inc	41	17⅝	78⅜	35¼	64½	56¾	66¼	2.40
Continental Insurance	25¼	6¾	36½	10½	36¼	23⅜	33½	*1.35
Continental Oil	9⅜	3⅝	19⅝	4⅞	22¾	15¾	17⅝	‡.50
Corn Products Refining	55⅜	24¾	90⅝	45⅜	84½	55½	65¼	3
Crown Cork & Seal	23⅞	7⅞	65	14¼	36¼	18¾	25⅛	1
Curtis Wright, Common	3¼	⅞	4⅜	1½	5¼	2⅛	2¾	..
D								
Diamond Match	19⅛	12	29½	17½	28½	21	27⅝	1
Dome Mines	12⅞	7½	39½	12	46¼	32	38¼	*3½
Dominion Stores	18½	11¼	26⅜	10½	23	11	11⅞	1.20
Douglas Aircraft	18⅝	5	18¼	10¼	28½	14¼	23½	..
Du Pont de Nemours	59¾	22	96⅜	32⅛	103⅞	80	96½	2.60
E								
Eastman Kodak Co	87⅞	35¼	89¾	46	116½	79	116¾	*4¾
Electric Auto Lite	32¾	8½	27½	10	31⅜	15	27½	..
Elec. Power & Light	16	2¾	15⅜	3⅛	9⅝	2¼	2⅞	..
Electric Storage Battery	33¼	12⅝	54	21	52	34	48½	2¼
F								
Firestone Tire & Rubber	18⅞	10½	31½	9⅛	25¼	13⅛	17¼	.40
First National Stores	54½	35	70¾	43	69¼	53	54⅜	2½
Fox Film, Cl. A	5⅞	1	19	12	17½	8¼	12⅝	..
Freeport Texas Co	28⅝	10	49⅜	16⅛	50⅜	21½	24¾	2
G								
General Amer. Transpt	35¾	9½	43¼	13¾	43⅝	30	38	1¾
General Asphalt	15½	4¾	27	4⅝	23½	12	18⅝	..
General Baking	19⅝	10½	20⅞	10½	14⅜	6½	8⅛	‡.65
General Electric	26⅛	8½	30¼	10½	25¼	16⅞	23	.60
General Foods	40½	19⅝	39⅞	21	36⅞	28	33⅞	1.80
General Mills	48½	28	71	35½	64½	51	61⅜	3
General Motors Corp	24⅝	7⅝	35¾	10	42	24⅝	32¾	1
General Railway Signal	28⅝	6⅛	49½	13¼	45¾	23½	30	1
General Refactories	15⅜	1¾	19¾	2½	23⅜	10⅛	18½	..
Gillette Safety Razor	24¼	10⅜	20¼	7⅝	14⅞	8½	14⅛	1
Glidden Co	10⅜	3⅛	20	3¾	28⅜	15⅝	27	*1.15
Gold Dust Corp	20⅝	8¼	27⅜	12	23	16	17	1.20
Goodrich Co. (B. F.)	12⅜	2¼	21½	3	18	8	11⅛	..
Goodyear Tire & Rubber	29¾	5½	47½	9¼	41⅜	18½	25¼	..
Great Western Sugar	12	3¼	41⅞	7	35¼	25	29	2.40
H								
Hershey Chocolate	83	43½	72	35⅛	73¾	48½	79⅛	3
Houston Oil of Texas (New)	5⅜	1⅝	7⅜	1⅞	5⅝	2½	3⅛	..
Hudson Motor Car	11¾	2⅞	16⅜	3	24½	6⅛	11⅜	..
Hupp Motor Car	5⅜	1½	7¾	1⅝	7¼	1⅞	3⅛	..
I								
Ingersoll-Rand	44⅞	14¾	78	19⅛	73¾	49½	69⅛	2
Inter. Business Machines	117	52½	153¼	75¾	164	131	152½	6
Inter. Cement	18¾	3⅝	40	6⅛	37¾	18⅜	31	‡.25
Inter. Harvester	34⅛	10⅜	46	13⅝	46⅞	23¼	41⅞	.60
Inter. Nickel	12½	3½	23¼	6¾	29¼	21	24	.60
Inter. Tel. & Tel	15¾	2⅝	21¾	5⅛	17¾	7½	9⅝	..
J								
Johns-Manville	33⅜	10	63½	12¼	66⅜	39	55	..
K								
Kelvinator	10⅜	2¾	15⅝	3⅛	21¼	11⅝	18	*.70
Kennecott Copper	19¼	4⅞	26	7⅜	23⅛	16	17½	.60
Kresge (S. S.)	19	6⅝	16⅞	5½	22¾	13⅜	21	1
Kroger Grocery & Baking	18⅞	10	35⅝	14½	33⅝	23¼	28¼	1.60
L								
Lambert Co	56¾	25	41⅛	19⅜	31⅜	22¼	28¼	3
Lehman Corp	51⅞	30½	79⅜	37½	78	68¼	73¼	2.40
Libbey-Owens-Ford	9⅜	3¾	37⅜	4¾	43⅞	22½	31½	1.20
Liggett & Myers Tob. B	67¼	34⅛	99⅜	49¼	111¼	74½	107	*5
Liquid Carbonic	22	9	50	10¼	35⅜	16⅛	30	*1¼
Loew's, Inc	37¾	13¼	36½	8½	37	20⅜	33½	1
Loose Wiles Biscut	36⅜	16½	44¾	19¼	44¾	33¼	36	2
Lorillard	18⅜	9	25¼	10⅜	22½	15¾	20¾	*2.20
M								
Mack Truck, Inc	28¾	10	46⅜	13½	41¾	22	27	1
Marine Midland	14⅜	6½	11½	5	9	5½	6¼	.40

New York Stock Exchange Price Range of Active Stocks

Industrials and Miscellaneous *(Continued)*

	1932		1933		1934		Last Sale	Div'd $ Per
	High	Low	High	Low	High	Low	1/9/35	Share
M								
Mathieson Alkali	20⅞	9	46⅝	14	40¾	23½	30⅞	1½
May Dept. Stores	20	9½	33	9¾	45¾	30	43½	1.60
McIntyre, Porc M.	21⅝	13	48⅜	18	50½	30½	42	2
Mont. Ward & Co.	16½	3½	28⅞	8⅝	35⅝	20	29¼	..
N								
Nash Motor Co.	19¾	8	27	11⅛	32¼	12⅝	18	1
National Biscuit	46⅞	20¼	60⅝	31½	49½	25⅞	28¾	2
National Cash Register A	18¾	6¼	23⅜	5⅛	23⅝	12	17¾	.50
National Dairy Prod	31⅜	14⅜	25¾	10½	18¾	13	16⅝	1.20
National Distillers	27¼	13	35¼	20⅞	31⅝	16	27¾	.50
National Power & Light	20⅜	6⅝	20½	6⅞	15½	6⅝	7¼	.80
National Steel	33⅞	13½	55⅛	15	58¼	34½	49¾	1
North Amer. Aviation	6⅝	1¼	9	4	8¾	2⅝	3⅝	..
North American Co.	43¼	13¾	36½	12½	25¼	10¼	13¼	1
O								
Ohio Oil	11	5	17⅝	4¾	15⅞	8½	9¾	‡.45
Otis Elevator	22½	9	25¼	10⅛	19⅜	12½	14¾	.60
Otis Steel	9¼	1¼	9¼	½	8	3⅝	5¾	..
Owens Ill. Glass	42¼	12	96¾	31½	94	60	85	4
P								
Pacific Gas & Electric	37	16⅞	31⅞	15	23½	12⅜	14⅜	1½
Pacific Lighting	47½	20¾	43⅜	22	37	20¾	23	3
Packard Motor Car	5¼	1½	6⅞	1¾	6⅝	2¾	5¼	..
Paramount Publix	11½	1½	2½	⅛	5⅞	1¾	3½	..
Penney (J. C.)	34½	13	56	19¼	74¼	51½	72½	1.20
Peoples Gas—Chicago	121	39	78	25	43⅞	19¼	22½	..
Phelps Dodge Corp	11⅝	3⅞	18⅞	4½	18⅞	13¼	15⅜	‡.75
Phillips Petroleum	8⅛	2	18¾	4¾	20¾	13⅜	15⅛	1
Procter & Gamble	42¾	19⅞	47½	19⅝	44⅜	33⅛	44⅜	1½
Public Service of N. J	60	28	57⅛	32⅝	45	25	24⅞	2.80
Pullman, Inc.	28	10½	58⅛	18	59⅜	35¼	51¾	3
Pure Oil	6½	2⅞	15⅜	2½	14⅞	6⅛	7¼	..
Purity Bakeries	15⅞	4⅜	25⅜	5⅞	19¾	8⅜	10¼	1
R								
Radio Corp. of America	13½	2½	12¼	3	9⅛	4½	5⅛	..
Radio-Keith-Orpheum	7¾	1½	5¾	1	4¼	1½	2¼	..
Remington-Rand	7½	1	11¼	2½	13⅜	6	11	..
Republic Steel	13⅞	1⅞	23	4	25¾	10½	15	..
Reynolds (R. J.) Tob. Cl. B	40¼	26½	54¼	26½	53¾	39¾	.50½	3
S								
Safeway Stores	59¼	30½	62⅜	28	57	38¼	45	3
Sears, Roebuck & Co	37¾	9⅞	47	12½	51¼	31	39	..
Seaboard Oil—Del	20⅜	6⅝	43⅜	15	38⅜	20¾	24⅞	*1
Servel, Inc	5⅜	1½	7½	1⅛	9	4⅜	8¼	..
Shell Union Oil	8¾	2½	11⅝	4	11½	6	7¼	..
Simmons Co	13⅜	2¾	31	4⅜	24⅛	8⅛	10¼	..
Socony-Vacuum Corp	12¼	5¼	17	6	19⅞	12½	14	.60
So. Cal. Edison	32¾	15¾	28	14⅛	22⅛	10⅛	12¼	1½
Standard Brands	17⅞	8⅜	37⅝	13¾	25¼	17¼	18⅜	1
Standard Gas & Elec. Co	34¼	7⅝	22½	5⅛	17	3⅝	4⅜	..
Standard Oil of Calif	31⅞	15⅛	45	19½	42⅞	26½	30⅝	1
Standard Oil of N. J	37⅜	19⅞	47½	22¾	50⅛	39¼	42¼	*1¼
Sterling Products	....	....	63	45¾	66½	47¼	60½	3.80
Stewart-Warner	8½	1⅞	11½	2½	10⅝	4½	8⅝	..
Stone & Webster	17⅜	4⅝	19¼	5½	13¼	3⅞	4¾	..
Studebaker Corp	13¾	2½	8⅜	1½	9¼	1⅞	2¾	..
T								
Texas Corp	18¼	9¼	30⅛	10¾	29⅜	19⅝	20¼	1
Texas Gulf Sulphur	26¾	12	45¼	15¼	43¼	30	34⅜	2
Tide Water Assoc. Oil	5⅝	2	11¾	3⅛	14⅜	8	9	..
Timken Roller Bearing	23	7¾	35½	13¾	41	24	36	1
Transamerica Corp	7⅛	2⅛	9⅜	2⅝	8½	5⅛	5¾	.25
Tri-Continental Corp	5½	1½	8¾	2¾	6¾	3	3¾	..
U								
Underwood-Elliott-Fisher	24⅜	7⅜	39½	9¼	58⅞	36	58⅜	2
Union Carbide & Carbon	36⅜	15½	51⅞	19¾	50⅞	35⅞	47⅜	1.40
Union Oil of Cal	15⅜	8	23⅜	8½	20½	11½	15¾	1
United Aircraft & Trans	34⅜	6½	46⅞	16½	15¼	8⅛	14	..
United Corp	14	3½	14½	4	8⅞	2⅛	2¾	..
United Corp. Pfd	39⅜	20	40⅞	22⅛	37⅞	21¼	24⅝	3
United Fruit	32⅜	10¼	68	23¼	77	59	75½	3
United Gas Imp	22	9¼	25	13⅞	20⅛	11½	12¾	1.20
U. S. Industrial Alcohol	36¼	13¼	94	13½	64¾	32	43	..
U. S. Pipe Fdy	18⅛	7¼	22⅛	6⅛	33	15½	20⅜	.50
U. S. Realty	11¾	2	14½	2½	12¾	4	6⅛	..
U. S. Rubber	10¼	1¼	25	2⅞	24	11	16½	..
U. S. Smelting, Ref. & Mining	22¾	10	105⅝	13½	141	96⅝	121¾	‡9
U. S. Steel Corp	52⅝	21¼	67½	23⅜	59⅞	29⅜	39⅛	..
U. S. Steel Pfd	113	51½	105½	53	99½	67¼	89	2
Util. Power & Lt. A	10⅜	1½	8⅞	1⅞	5⅜	1½	1⅞	..
V								
Vanadium Corp	23¾	5¼	36¼	7⅝	31¾	14	20⅞	..
W								
Warner Brothers Pictures	4½	½	9⅛	1	8¼	2¾	4	..
Western Union Tel	50	12⅜	77¼	17¼	66⅞	29½	33¾	..
Westinghouse Air Brake	18⅛	9¼	35⅝	11¾	36	15⅞	26½	.50
Westinghouse Elec. & Mfg.	43½	15⅝	58¾	19⅜	47¼	27⅞	40	..
White Motor	27¼	6⅞	26½	15⅛	28½	15	16⅛	..
Woolworth Co. (F. W.)	45⅝	22	50⅞	25⅛	55¼	41¼	53¾	2.40
Worthington Pump & Mach	24	5	39⅞	8	31⅞	13½	20½	..
Wrigley (W. Jr.)	57	25¼	57¼	34½	76	54½	78	*3½

‡ Paid last year. * Including extra.

"Doing Something for Silver"

(*Continued from page* 375)

satisfactory increase. But that is explained by the Chinese as due to the pressure of normally increasing demand.

Reports from Chinese sources indicate that popular indignation in China is growing against America because of the American silver policy —the policy held up in this country as one that would be welcomed by and helpful to the Chinese.

All the evidence now is that our silver policy is most unwelcome in China and decidedly hurtful to Chinese economy.

Up to date the policy of purchasing silver has worked no visible good in the United States except to silver miners and communities.

The question naturally arises—What good can be expected of it in the future, except such good as may come perilously out of inflation by the silver route?

Answers to Inquiries

(*Continued from page* 404)

ment in the economic situation, its common stock, representing sole capitalization, is believed to possess definite speculative appeal from the longer term standpoint and well worthy of retention in your portfolio.

AMERICAN CAN CO.

What is your opinion of American Can? Do you feel that its common stock offers any great profit possibilities in 1935? Are you recommending the retention of this stock for further appreciation?—B. U., St. Louis, Mo.

After having reached a peak of $22,883,941 for 1930, net income of the American Can Co. declined steadily through 1932, having amounted to only $10,957,295 for that year. Reflecting sales increases in the following year and the many operating economies effected by the management, however, net income for 1933 rose to $15,357,048. Reduced to a per share basis on the common stock, this amounted to $5.04, as compared with the all-time depression low of $3.26 for 1932. In addition to the $4 annual dividend established on the common stock at the beginning of 1930 and maintained uninterrupted since that time, extras of $1 per share were declared in 1930 and 1931. The extra payment was omitted in the following two years, but was resumed at the last dividend meeting. In 1933 inventories were greatly expanded and this places the company in an excellent position in view of the subsequent rise in raw material costs. In addition to its food container business, American Can has made rapid strides in the development of industrial uses for metal containers. It is probably in the latter division where the greatest possibilities of earnings expansion are to be found, although demand for food containers is expected to show gradual expansion, since stocks of canned goods on hand are apparently low. The company's excellent financial condition and impressive earnings record throughout the depression are factors which will likely continue to attract investors to its common stock. Moreover, the numerous operating economies instituted during recent years will doubtless permit greater earnings on less volume than previously would have been possible. Given further improvement in the general business situation, therefore, earnings of the company should support higher share prices and retention of your holdings is believed the best course to follow.

JOHNS-MANVILLE CORP.

I now have 11 points profit in Johns-Manville. I am undecided whether I ought to get out now or whether I should take up this stock for longer term holding. Please advise.—E. K. T., Syracuse, N. Y.

To a great extent the earnings of Johns-Manville Corp. depend on the building trade, although its numerous asbestos products are also used by virtually every industry of importance. Approximately 1,500 products are manufactured, including fireproofing materials, shingles, roofings, brake-linings, electrical and heating insulators, etc. Through subsidiary sales organizations, the products of the company are sold internationally. While the Federal

Dividends & Interest

Housing Program undoubtedly acted to some extent as a stimulus to the sales of the company in the latter part of 1934, its full effects are not expected to be felt until some time this year. Earnings should also reflect the outcome of the Government's efforts to rehabilitate the capital goods industries. Although a loss was reported for the initial quarter of 1934, net profit for the nine months ended September 30, last, was $586,554, equivalent, after preferred dividends, to 26 cents a common share, compared with a net loss of $417,140 for the like 1933 interval. It is unofficially estimated that earnings for the full year approached 40 cents a share on the common. Efficiency of plants and personnel has apparently been greatly increased during the lean years of the depression if we are to judge by the fact that after a heavy loss in 1932, a nominal profit was shown in the following year with but a 4% increase in sales. There are only 75,000 shares of preferred stock ranking ahead of the 750,000 shares of common and financial condition is excellent. This places the common in a position to immediately benefit from the earnings improvement indicated for the current year. It is our opinion, therefore, that retention of your holdings is the best course to follow at this time.

ENDICOTT JOHNSON CORP.

I have 100 shares of Endicott Johnson in which I now have nearly 6 points loss. I will, therefore, be grateful for your advice on this stock, and on its appreciation and income prospects.—C. A. J., San Francisco, Calif.

Endicott Johnson Corp., the second largest manufacturer of men's, women's and children's footwear in the United States, is a thoroughly integrated organization, tanning its own leather and retailing its products directly through its own chain of stores, as well as through approximately 50,000 independent units. The stable demand for its product has been a steadying influence on sales, but as a tanner of its own leather, the company has had to cope with inventory problems which at times have shown material affect on earnings. Due to the drought last summer, millions of cattle were slaughtered and hide prices were, as a consequence, severely depressed. This could not be regarded as other than an unfavorable development for a company such as Endicott Johnson, the inventories of which were carried at more than $16,000,000 in the latest balance sheet. Well sustained shoe sales, however, should tend to rapidly deplete excess leather stocks and lead to a firmer price structure this year. Profit margins are currently being restricted by higher operating costs, due largely to increased wages, without offsetting price advances for finished products. Nevertheless, adjustments should be possible which will permit the subject organization to show good earnings with the further improvement in shoe sales and rising hide prices anticipated during the current year. With an excellent financial condition and conservative capitalization, continuance of the $3 annual dividend on the common stock is indicated. If you are interested in current income and longer term appreciation, we can see no need to disturb your position in the shares at prevailing quotations.

BOHN ALUMINUM & BRASS CORP.

Do you still recommend the purchase of Bohn Aluminum for investment or do you think the selling price fully reflects earnings possibilities? Please describe the probable outlook.—R. A. W., Chicago, Ill.

Bohn Aluminum & Brass Corp. is one of the world's leading manufacturers of aluminum castings. Approximately 40% of its products are used by the automotive industry, while the remaining 60% represents a diversified variety of items, including castings for vacuum cleaners, radios, refrigerators, washing machines, aircraft, furniture, etc. The use of aluminum has been limited to some extent in the past by the existence of a monopoly on the patent for its extraction from bauxite ore, as well as by virtual control of deposits of the ore by one company. After five years of research, however, Bohn Aluminum recently announced that it had found a method of producing aluminum for commercial purposes from alunite. Should the trial plant of the company prove successful, the monopoly will be broken and an almost unlimited field opened for its products. The company reported for the 9 months ended September 30, net earnings of $1,263,456, equal to $3.58 a share, as compared with $1,159,229 or $3.29 a share in the like interval of 1933. It is expected that full year earnings for 1934 closely approximated the $4.24 per share shown for 1933. As of December 31, 1933 (latest available balance sheet), current assets amounted to $5,702,707 and current liabilities were $702,131. The company has no preferred stock and only $500,000 debentures come ahead of the 352,418 shares of common. Considering the company's excellent earnings record and favorable prospects, we feel you would be fully warranted in purchasing its stock at present prices.

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CANADIAN INDUSTRIAL ALCOHOL CO., LTD.

As a new subscriber I will appreciate your comments on Canadian Industrial Alcohol. What do you think of its future? Would you hold 200 shares averaging 9⅜ as a good speculation?—G. McG., Houston, Texas.

In view of the sizable earnings enjoyed by the majority of concerns engaged in the liquor business, the $558,529 loss reported by Canadian Industrial Alcohol Co., Ltd., for the fiscal year ended September 30, 1934, was most disappointing. The principal cause of this unfavorable showing was a decided contraction in shipments to the United States market during the final half of the company's fiscal year. There is a distinct possibility that the United States tariff on liquor will be lowered and domestic distributors are naturally reluctant to stock up at this time. Nevertheless, as the supply of aged whiskies held in the United States is fast approaching the vanishing point, it will soon be necessary to import larger quantities since these are employed as a base in practically all of the better blended products now so popular. Canadian Industrial Alcohol has on hand approximately 7,000,000 imperial gallons of aged American type whisky which, if sold, would enable it to pay off all important liabilities. These consist of $1,200,000 bank loans and $4,000,000 McNish debentures, guaranteed by the company. Based on a price of only $4 a gallon, the liquidation of inventories would net the company an amount considerably in excess of the figure at which they are now carried in the balance sheet or $6,773,287. It is chiefly because of this and the probability that the movement of aged whiskies to the United States will be accelerated during the current year by diminishing domestic supplies that we suggest continued retention of your holdings.

AIR REDUCTION CO., INC.

What do you think of the 1935 prospects for Air Reduction? Do you believe current prices amply discount further improvement? Do you believe its appreciation possibilities make up for the low yield?—L. P. S., New York, N. Y.

Activities of Air Reduction Co., Inc., are confined principally to the production of oxy-acetylene gases and equipment employed in the welding and cutting of metals. The heavy in-

dustries, such as steel, automobile and railroad, normally constitute its chief consuming outlets. The severely depressed levels to which these businesses fell during the worst of the depression, however, did not affect Air Reduction's earnings to as great an extent as would seem probable, because of the fact that the company has long been active in the development of new uses for its products; practically all manufacturing organizations of any size now employ welding and cutting apparatus in connection with factory maintenance and repairs. Moreover, during recent years, Air Reduction has become a factor in the production of "dry-ice" and holds a substantial interest in U. S. Industrial Alcohol Co. In the last analysis, however, probable earnings of the company must be appraised on the basis of sales of welding and cutting materials. For the initial 9 months of 1934, the company reported a net profit of $3,077,199, equal to $3.70 a share on the capital stock, compared with $2,137,324 or $2.54 a share in the corresponding interval of 1933. Full year 1934 earnings have not as yet been reported, but it seems probable that these approximated $5 per share, which would compare with actual earnings of $3.80 a share for the previous year. With the steel and related industries expected to register material recovery during the current year, Air Reduction's prospects are decidedly favorable. While present market prices for the stock seem high in relation to recent earnings, the company's favorable record and prospects will undoubtedly continue to attract investors desirous of reasonable safety and appreciation with further business recovery.

AMERICAN SMELTING & REFINING CO.

In your opinion, does American Smelting & Refining now adequately discount probable earning power? Would you continue to hold 100 shares bought last year at 46?—O. F. H., Philadelphia, Pa.

American Smelting & Refining Co. is the largest smelter and refiner of metals in the world. Metals processed include copper, zinc, lead, gold, and silver. To a lesser degree it is also engaged in mining these metals. Ore treated is, for the most part, purchased from outside interests or is handled on a toll basis. Trade conditions led to the building up of inventories considerably in excess of normal during the depression, declining quotations for which were largely responsible for the unfavorable earnings shown in 1931 and 1932. Metal prices in the following year registered marked improvement, however, and enabled the company to report $6,010,384 profit for

that year as against the $4,506,175 loss sustained in 1932. Further improvement was recorded in the initial 6 months of 1934 when net income was more than double that of the preceding comparable period and equalled $1.07 a share on the common stock. Higher gold and silver prices have unquestionably been of material aid to the company, but reattainment of former earning power must await increased employment of lead, zinc and copper. This may be expected as the building trades and industry generally become more active. In the meantime, the indicated absence of further heavy inventory losses, coupled with a strong financial position, should make possible the liquidation of dividend arrearages on the second preferred and leave the way open for dividends on the common; all arrears on the 7% preferred were cleared on December 1, last. On the basis of profits now being derived from silver and gold and eventual higher prices and increased demand for the other non-ferrous metals, we see no need to disturb your position in the common stock at prevailing quotations.

LAMBERT CO.

In view of the excellent yield obtainable on Lambert, I am considering a commitment in these shares. Do you feel that the present $3 annual dividend will be maintained and does the earnings outlook justify the expectation of appreciation upon further general business recovery?—R. M. H., Los Angeles, Calif.

In an effort to obtain the recognized advantages of diversification, Lambert Co., during the past several years, has developed and marketed a line of such products as shaving cream, tooth paste, throat tablets and medicated cigarettes. In addition, the company acquired in 1930 the Pro-phy-lac-tic Brush Co., which manufactures and distributes various types of brushes. In point of sales and revenues, however, "Listerine" still is the dominant product and while the latter enjoys wide public favor, competition has become increasingly keen during recent years, necessitating price reductions and an aggressive and costly advertising program in order to maintain sales volume. Earnings declined steadily since the peak year of 1929 through the initial half of 1934. Sales improvement in the September quarter, however, enabled the company to report earnings for the period equivalent to 81 cents a share on the capital stock, against 53 cents a share in the preceding quarter and 72 cents a share in the third quarter of 1933. It is now indicated that full year 1934 returns closely approximated those of the previous year when earnings were equal to $2.99 a share. While the recent earnings improvement reported by the company is encouraging, we see little in the medium term outlook, at least, which would indicate much change for the better in the extreme competitive conditions which have existed in the industry for some time past. Lacking some betterment in this respect, continuance of the present $3 annual dividend on the company's capital stock will likely remain problematical, despite its satisfactory financial status. Since you are apparently interested in income, therefore, we feel that you would do well to confine purchases to other issues offering a more secure dividend and giving promise of reflecting, marketwise, the general business recovery indicated during early ensuing months.

Aviation Has a Chance

(*Continued from page 379*)

For years those units of the industry purveying to the defense needs of the nation have complained about two major faults in the methods by which the Army and Navy purchase aircraft supplies. Failure to recognize design rights in unpatentable creations and forcing competitive bidding for contracts, cut-throat bidding, are twin evils which have discouraged inventors, retarded progress in technical development and impoverished that branch of the industry. In a varying ratio from year to year, in good times and bad, the Government business is about half of the total among manufacturers.

They have asserted repeatedly that the Government might improve its defense equipment and save itself money by recognizing design rights and adopting different methods of buying from the industry. Today there is a general tendency to believe them. Proposed amendments to existing laws would correct the evil. If Congress heeds recommendations, then the manufacturers may be able to keep their plants operating on a sounder basis, twelve months of the year. That is another prospect.

Aerial service operations, the non-scheduled flying, airports, schools, commuter services, aerial photography, forest patrol and survey, all the various activities which might be depended upon to take increasing numbers of planes, engines and accessories every year, as yet show the results of hard times. The number of planes in this field is about the same as last year. It will take a broad upswing in general business before expansion is possible in these lines, but the potentialities are large.

Private flying remains just about where it has remained since Lindbergh flew the Atlantic, a highly specialized, more or less heroic kind of avocation in which to date there has been a very limited field for expansion. It is not the cost of flying. Flying mile for mile is about the same as motoring, and in trained hands no more dangerous. Ten cents a mile, including everything, would be a fair estimate of the average cost of private flying. But it costs money to learn to fly, and it costs money to buy aircraft, besides the overhead and up-keep. Possibly 2,000 persons in the United States own planes which they fly solely for sport and pleasure. Some 1,500 others own planes, or companies own them, which are operated on private business missions. The return of prosperity, a prosperity which will put money in everybody's pocket, will see a very rapid increase in the number of privately-owned planes, and the new machines being built by manufacturers are exceptionally fine for any purpose. More than 10,000 licensed student pilots and 13,000 licensed pilots at present in the United States offer one kind of an indication that people would like to fly if and when they can afford it. If and when they do, it will bring to all branches of the manufacturing industry a great amount of very profitable business. That is another prospect. When? Nobody knows.

Thus far, and guessing what the Federal Aviation Commission will report, and what Congress will do with its report, the investor can rely on an increase in manufacturing business in 1935, a better deal for the air transport industry with elimination of losses in operations. Aviation is on its way. How far it will be allowed to progress will be indicated during the course of the next two or three months. If it is spared from government ownership, strangling regulations and further efforts to reform a young and vital in-

In The Next Issue

On Steel, Air and Rubber

A Transportation Story Discussing the Problem of Competing Transportation Facilities

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Changing Investment Trends as Revealed by Recent Investment Trust Changes

dustry, its possibilities are limitless. So also are the opportunities of the discriminating security holders who have faith in this outcome.

The Magazine of Wall Street's Common Stock Price Index

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because the dropping of certain stocks from our list has left these groups with less than two component issues, which is obviously the minimum number needed to constitute a group. Three of these discontinued groups—Coal, Restaurants and Syrups—were not published regularly last year. The remaining two—Biscuit and Soft Drinks—were published regularly, and so will be replaced by two other groups—Realty, and Furniture and Floor Covering, transferred from last year's unpublished section of the Index. Thus the published section of the Index this year will show 43 sub-groups—the same as last year; but the unpublished section will consist of only two sub-groups embracing 13 stocks. By way of anticipating a rather frequent inquiry from our readers, it should be noted that, while the Combined Average is in fact made up of 288 stocks this year, you will obtain only 275 by adding the number of issues in sub-groups published regularly. The missing 13 issues are concealed in the two groups which space limitations prevent us from publishing regularly.

This year, Peerless Corp. has been transferred from the Automobile group to the Liquor group, owing to changes in the character of its activities. Collins & Aikman has been moved from the Unclassified group into the more appropriate Textile group. National Biscuit, left stranded by discontinuance of the Biscuit group, has been given a new home in the Food Brands group. A few other transfers are of insufficient importance to be worth itemizing.

Nine Years of Market History

The accompanying tabulation of closing indexes for the past nine years affords a comprehensive and instructive panorama of market history during the period covered. The two most striking characteristics of this record are the universality with which stocks succumbed to the great bear market, and the startling irregularity with which they have participated in such recovery as has thus far been made by the Combined Average. The Utility group, for example, sank to a new low closing

MARKET STATISTICS

	N. Y. Times 40 Bonds	Dow-Jones Avgs. 30 Indus.	Dow-Jones Avgs. 20 Rails	N. Y. Times 50 Stocks High	N. Y. Times 50 Stocks Low	Sales
Monday, December 31	82.34	104.04	36.44	87.01	86.22	1,016,335
Tuesday, January 1	HOLIDAY—EXCHANGE CLOSED					
Wednesday, January 2	82.34	104.51	36.32	87.75	86.12	878,930
Thursday, January 3	82.61	105.14	36.47	88.34	87.08	1,066,246
Friday, January 4	82.79	104.69	36.73	88.19	87.13	965,420
Saturday, January 5	82.87	105.56	36.82	87.93	87.27	494,470
Monday, January 7	83.03	105.88	37.26	88.86	87.87	1,286,240
Tuesday, January 8	83.15	105.03	37.15	88.75	87.43	1,194,460
Wednesday, January 9	83.15	105.05	36.88	88.08	86.96	897,570
Thursday, January 10	83.43	104.87	37.01	88.04	87.09	778,830
Friday, January 11	83.22	103.35	35.86	87.56	85.35	1,378,010
Saturday, January 12	82.99	102.30	35.27	85.58	84.50	666,420

price last year. On the other hand, five groups—Cans, Carbon, Finance Companies, Liquor and Variety Stores—rang up the highest closing record for any year since we have been keeping the data. A few other industries—such as Department Stores, Shipbuilding and Sugar—have been chronically sick during the entire period. The most stable group has been Syrups, whose index has not closed below 100 in nine years. Gold Mining stocks, due partly to devaluation of the dollar, have staged the most spectacular rise, the group index having advanced from 67.2 at the close of 1926, to 1180.8 within the comparatively short period of seven years.

Obviously it will well repay investors to study long range industrial trends and rearrange their portfolios accordingly. New Deal, or Old Deal, fresh investment opportunities for the discerning will continue to open up in the future as they have in the past—so long as there are stocks and bonds to buy and sell.

Important Maturities in 1935

(*Continued from page 387*)

a public utility holding company which still retains more than a vestige of its earning power. Finances and intercompany relations are excellent. The Boston Metropolitan District, a public agency backed by the Commonwealth of Massachusetts, may be depended upon to aid in refunding of the Boston Elevated maturity.

Electric Bond & Share Group

The Electric Bond & Share group has three important maturities this year: \$6,900,000 Northwestern Electric Co. 1st 6's (American Power & Light) \$11,808,800 New Orleans Public Service General 4½'s (Electric Power & Light) \$4,677,000 Lehigh Valley Transit 1st 4's and 1st 5's (National Power & Light). Holders of the New Orleans Public Service bonds are being asked to accept an extension to 1942 at the same coupon rate and it is probable that similar proposals will be made to holders of the other two issues. In the case of the Lehigh Valley Transit bonds, however, some uncertainty is injected into the refunding prospect due to the fundamental disadvantage at which traction properties are operated today. So far as the shares of these several Electric Bond & Share units are concerned, they are all distinctly speculative with National Power & Light having somewhat the better of it from the standpoint of earnings. Both the latter and American Power & Light operate properties which will come under the influence of Government power projects, while Electric Power & Light is burdened by heavy fixed charges and substantial bank loans. In the circumstances, continued retention of the junior securities of these companies must recognize the import of unpredictable contingencies.

While the Laclede Gas Light Co. has not intimated the manner in which the maturity of the 5½ Notes will be handled, extension suggests itself as probably the most satisfactory manner of meeting the situation, under the circumstances. Earnings have been running at a rate sufficient to cover charges better than 1.20 times and finances have been strengthened by the omission of dividends. The company, however, is engaged in rate litigation with the City of St. Louis and should the final decision go against it, substantial rate reductions will result. Some of this loss of revenue would doubtless be recovered with better business conditions in the territory served, with a corresponding improvement in the position of the company's bonded debt. Until, however, the rate situation is clarified the preferred and common stocks are lacking in attraction.

In the case of the Keystone Telephone 1st 5's, a \$4,000,000 maturity, the chances that this issue will be paid in full have been measurably improved by the proposal of the Bell Telephone Co., of Pennsylvania to acquire the company's properties. Should the necessary sanction be forthcoming from the Pennsylvania Public Service Commission, the financial resources and credit standing of the Bell Telephone Co., would easily permit cash payment of the Keystone maturity.

What Does Labor Want? What Will It Concede?

(*Continued from page 371*)

heavily on the workers and not on the politicians who put them into effect.

Dollars, which represent work done and paid for, are entitled to wages just as management is entitled to compensation and just as the workers are entitled to wages but not as a prior claim. It is only a question of the equities involved. Dollars, the savings of the people including the workers themselves, are not entitled to exorbitant wages at the expense of the standard of living of the workers. The workers do not lay claim to wages which will make it impossible to secure skilled and adequate management or dollars with which to carry on and expand the enterprise, whatever it may be.

After all, under our conception capitalism exists in every country in the world. It all depends on who owns the capital. In Russia, the state owns the capital and there is no respect for private property. In Germany, there is still some respect for private property, but the capital of that country is under strict supervision of the present government. The same thing is true in Italy and in Spain. The only difference between the capitalism of America and the capitalism of these European countries is that we still adhere to the right of the individual to enjoy such private property as his ability may enable him to accumulate.

In addition, the workers are entitled to certain guarantees from the capitalistic system such as guarantees against the loss of income due to disability, unemployment or old age, just as dollars—invested capital—are entitled to guarantees against loss by fire, goods lost in transit, against unfair competition, etc. Capital has worked out its guarantees in a fairly satisfactory manner—it has not been so successful in providing the guarantees to which the worker is entitled although it has been making rapid strides in this direction.

After all, the proposition is very simple. All that organized labor asks for the worker is the right to work for compensation which is sufficient to enable him to maintain the standard of living to which he and his family are entitled, the equal right to save and accumulate property, adequate guarantee against distress due to disability, unemployment or old age, and an opportunity to share in the creative enterprise of industry. In other words, all he asks is the right of equal opportunity which is presumed to be the heritage of every man, woman and child in these United States.

It is willing to concede certain rights of capital and management just so long as these rights are not exceeded to a point where the result is the exploitation of the wage earner and his family. Employers and the workers have been drawing closer and closer toward this common ground of understanding and co-operation. They can reach it without undue delay if they do not get too much "help" from the politicians. The worker is just as much of an individualist as anyone else and organized labor will never agree to any system whereby he, as an individual, is entirely subordinated to the State.

In conclusion, organized labor feels that it has a right to participate in the formulation of the rules of the game. If management insists that it cannot meet such demands as labor thinks are reasonable, then labor should be given an opportunity to help management in

creating a situation whereby the workers can receive a fair return on the results of their work. Their equity is just as great as the equity of dollars or the equity of management. If the people who have invested their dollars and the management which they have selected to represent them cannot establish these equities which are fair and just, they should at least give the worker a chance to join with them in an effort to improve the situation.

What President's Messages Signify for Business

(*Continued from page* 368)

omissions. They reveal that the Administration is true to the basic American economic tradition and that it is energetically and systematically wrestling with the acute problem of unemployment, that public finance is still unimpaired, that progress toward recovery is indubitable.

As for the omissions, disconcerting as they are, we must always take into consideration the practical factor of political management. The forces of unrest and economic fallacy are powerful in Congress and in the land. The national psychology leans toward the abnormal, as witness the vogue of Huey Long, the surprisingly popular proposal for such a monstrosity as annual pensions amounting to $24,000,000,000 for the aged. The greatest bulwark we have against mass mania is the popularity of the President. He is under the necessity of conserving it. He doubtless feels that he must husband it by avoiding provocative challenges to opponents which might stir unrest into a consolidated assault on his leadership. The messages must be read and considered from the point of view of practical politics as well as that of economic ideals.

With Our Readers

(*Continued from page* 357)

Townsend Plan. Of all the pathetically absurd nostrums that have been paraded before our eyes, this one would seem to be the climax. How simple it is! Pension 8,000,000 persons over sixty years of age to the tune of $200 a month or at total cost of around $20,000,000,000 a year, their pledge being to spend said $200 in this country each month. Where is the money to come from? Why, merely by a sales tax on every article bought. I figure this tax would be about 70 per cent! Brother Townsend and his growing cohorts nurse the strange illusion that money in such vast quantities could be created out of thin air. If this idea is not wholly cock-eyed—as it is, of course—why not make the monthly pension $250 instead of $200? And if the $250 idea is sound, why not try $500 a month, or $1,000 or $20,000? Why can't we all be millionaires and ride the New Deal to Utopia on this magical crackpot formula? For that matter, why don't we invent perpetual-motion machines to print endless bundles of $100 bills? I ask you, where in the devil are we going?—G. W., Los Angeles, Calif.

The Townsend Plan should not excite one residing in the sunny state of California, home of plans galore. We don't know where we are going, but sometimes we suspect that if we ever have a rip-roaring inflation in this country it will not be by wish of government but under the propulsion of millions of voters determined to go on a spree at the end of the rainbow.—ED.

For Profit and Income

(*Continued from page* 400)

Two-edged Knife

When the United States abandoned the gold standard, she took the attitude that ordinary paper dollars should be the equivalent of the old gold dollars for every purpose—she proposed to pay in ordinary dollars and those who owed debts to her were to pay in like terms. Little Panama, however, to whom the United States has contracted to pay regular annuities in gold for the canal rights, did not take kindly to this arrangement. She demanded payment in gold (as per contract) and refused to accept anything else. As a result she got nothing last year and the amount due her is currently $500,000, or, as Panama contends, $845,000 in our new money. Now, it might seem that we are hurting a southern neighbor by our tactics but, as Panama sweetly and unofficially contends, the American annuities are pledged under various external loans, the vastly greater part of which are held in the United States, so that she really got the principal amount of the annuities long ago in the good old days. In other words, our attitude in this case has done about as much for the American holders of foreign bonds as in other cases: we shout for our money, and then calmly withhold from the foreigner the means of paying by tariffs or otherwise, and then wonder why it is that we ourselves get hurt.

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New York Curb Exchange

ACTIVE ISSUES

Quotations as of Recent Date

Name and Dividend	1934 Price Range High	Low	Recent Price
Alum. Co. of Amer.	85¾	43	49¼
Amer. Cyanamid B (.40)	22½	14⅝	17¼
Amer. Gas & Elec. (*1.20)	33⅜	16¼	19⅞
Amer. Lt. & Tr. (1.20)	19⅜	8¼	10
Amer. Superpower	4⅞	1	1¼
Assoc. Gas Elec. "A"	2¼	¼	⅝
Atlas Corp.	15½	7¾	9
Canadian Indus. Alco. "B"	19½	4⅝	6¼
Cities Service	4¼	1¼	1½
Cities Service Pfd	26⅞	10¼	13¼
Cleveland Elec. Illum. (2)	30½	21¼	25
Colum. G. & E. cv. Pfd. (5)	103	59	63¾
Commonwealth Edison (4)	61½	34½	55¼
Consol. Gas Balt. (3.60)	68	48½	55¾
Cord Corp. (†.25)	8⅝	2⅞	4
Creole Petroleum	14⅜	9⅝	13
Distillers Cp. Seag	26⅝	8⅞	17¼
Elec. Bond & Share	23½	6	7¼
Elec. Bond & Share Pfd. (6)	60	31	38½
Ford Mot. of Can. "A" (†1¼)	28⅜	15	30⅝
Ford Motor, Ltd	10¾	5½	9
Glen Alden Coal (*1¼)	25½	10¾	22¾
Great A. & P. Tea N.-V. (*7)	150	122	129
Gulf Oil of Pa	76¾	49¾	59
Hudson Bay M. & S.	15⅜	8¾	12⅞
Humble Oil (1)	49½	33¼	46
Imperial Oil (*.80)	17½	13	17
Inter. Petrol. (*2)	33⅜	19⅜	30
Lake Shore Mines (*4)	60¼	41½	54⅝
Niagara Hudson Pwr	9¾	3	3⅜
Novadel-Agene (2)	23¼	17	21⅞
Pan-American Airways (†.50)	51	31⅞	40¼
St. Regis Paper	5⅛	1⅜	1⅞
South Penn Oil (1.20)	26½	17½	23
Swift & Co. (*.75)	20¾	13⅞	19
Swift Int'l (2)	40½	23¾	34⅛
United Founders	1½	⅜	7/16
United Gas Corp	3¾	1¼	1⅝
United Lt. & Pwr. A	5⅜	⅝	1⅛
United Shoe Mach. (5)	72⅝	57¾	75
Walker Hiram H. W.	57½	21¾	30½

*Partly extra. †Paid last year.

Market Faces New Problems

(*Continued from page 365*)

prudence to go over present holdings, with an eye to their revision. Certainly for the present one will be most comfortable in stocks not preceded by bonds carrying this moot gold clause.

The current trend of industrial activity remains very strongly on the favorable side and would probably be sufficient to send the stock market higher—given a favorable clarification of some of the major uncertainties now centering at Washington. There have been further sharp advances in the adjusted figures of automobile production, steel operations and the output of electric power—these three forces contributing the chief impetus to the rise of the general business index.

New Conditions Favor Air Brake Manufacturers

(*Continued from page 397*)

which voted to equip all *existing* freight cars, employed in interchange between roads, with the new brake during the next ten years.

Now there are about 2,000,000 freight cars in use. Not all of these, of course, will be given the new equipment. Some will run a few years as they are and then be retired. On others the installation will be unnecessary, for it is only to cars subject to interchange with other roads that the vote of the American Railway Association applies.

At the same time one cannot escape the fact that if ten years from now the country should require 2,000,000 freight cars subject to interchange then an average of 200,000 cars old or new must be fitted with the new brake. In other words, it makes no difference to the Westinghouse Air Brake Co. or the New York Air Brake Co. how many cars are retired so long as they are replaced. And retired freight cars are going to be replaced so long as rail traffic does not again slump drastically. For a clue to the importance of the prospective business in the new brake, it might be mentioned that in only three years since 1921 did freight car orders top the 100,000 mark and that for a 200,000 total it is necessary to go back as far as 1912. To date the number of installations of the new brake that have been made are negligible compared with the prospective total.

When it comes to what profits the two brake manufacturers are likely to make should their business increase as expected, there is little definite information. So far as is known profit margin on brake installations has never been a matter of official discussion and there is no data from which to make a reasonable guess. It has been reported, however, that the new brake costs about twice the $70 which was the price of the old. It would seem, moreover, that two companies controlling a field as these do could preserve a fair—perhaps good—margin of profit. Thus, actual earnings available to stockholders should closely follow the increase in business volume.

It is doubtful whether the stocks of either Westinghouse Air Brake or New York Air Brake have discounted the possibilities in the situation. Marketwise, the stock of the smaller company has recently given the better account of itself. This may well be because the company is more exclusively tied up with brakes, whereas the larger company has its signaling and other railroad equipment business for which the future is less clearly defined. On the other hand, if the railroads could only see a little real financial daylight, they would be very much in the market for things other than brakes and to Westinghouse Air Brake there might well come prosperity to all divisions of the business.

Stock Market Leaders of 1935

(*Continued from page 384*)

cash and U. S. Government securities, were $42,282,192, while current liabilities were less than $7,000,000. Funded debt amounted to $31,098,457, and subsidiary preferred stock was outstanding in the amount of about $5,000,000.

So far as the current outlook is concerned, the company should continue to be favored by the gradual improvement in general business, bringing increased patronage to the box-office, and with its organization functioning on a substantially lowered cost basis, expectations of increased earnings on the common are well founded. Several of the company's feature productions promise to record "hits" and production plans include pictures which should have wide public appeal. With the company's past accomplishments as a criterion, and with improving prospects to supply a favorable speculative factor, the shares are a worthy candidate for later purchase. Definite advices will follow.

American Sugar Refining Co.

Throughout the world, there seems to be few products more subject to governmental interference than sugar. It is made the object of tariffs, quotas, bounties: indeed, the whole gamut of the schemes that an agile world has devised for the purpose of frustrating a free interchange of commodities among nations. For this reason, any discussion of the business of the American Sugar Refining Co. perforce must be largely against a political background.

The company's business is primarily that of refining Cuban raw sugar. It

maintains a number of large and modern plants located on tidewater in this country. In addition to refining Cuban sugar here American Sugar has extensive interests actually in Cuba. These interests, despite the fact that a $10,000,000 reserve stood against them as of December 31, 1933, were carried on the books at the net amount of nearly $26,000,000.

Until the passage of the Jones-Costigan Act last May, owing to the fact that it was cheaper to ship refined sugar into this country than the raw from which to make it (a tariff peculiarity), the American Sugar Refining Co. was meeting increasing competition from the importation of Cuban refined and also from the importations of refined from our insular possessions which, of course, came in completely free from any duty. The Jones-Costigan Act had the effect of arresting the further development of these adverse factors. Under it, Cuba was allotted a quota and it was further settled that only 22 per cent of this quota could be shipped in refined form. At the same time the Secretary of Agriculture was empowered to limit the importations of refined from the Philippines, Puerto Rico and Hawaii to the highest amount that had been shipped in any year between 1931 and 1933 inclusive. In other words, while the American Sugar Refining Co. still meets considerable competition from these Cuban and other refineds, it has been relieved of the threat that future competition would grow a great deal worse.

At the same time, the new set-up for sugar and more particularly the reciprocal trade agreement with Cuba under which our tariff against this commodity was slashed, undoubtedly has brightened the possibilities for American Sugar's Cuban interests. After depreciation of $650,000 a loss of more than $400,000 was taken on these Cuban properties in 1933. Under the improved conditions existing in 1934, while they will show nothing in the way of a fair return on the investment involved, their showing should be a great deal better than this.

Financially, the American Sugar Refining Co. is in good condition. Last fall it issued a call on the balance of the $30,000,000 in bonds which were originally sold in 1922, so that, aside from the negligible amount of funded debt on the Cuban properties, the company has no bonded indebtedness. The company's capitalization consists of $45,000,000 in irredeemable 7 per cent preferred stock of $100 par value and $45,000,00 in common stock of the same par value.

Currently, the common stock of American Sugar sells for about $67 a share. The regular dividend is $2 a share annually. This appears to be a conservative payment, for earnings in 1933 were equivalent to $4.03 a share, while for 1934 it is expected that a figure in the neighborhood of $5.50 will be shown. The company reports only once a year. Despite the large margin of earnings over dividends, however, it is to be doubted that American Sugar will make any upward adjustment in the amount paid stockholders within the near future because bond redemptions have carried cash to levels lower than in past years. In view of this, it would seem that the stock, while in a generally favorable position for later appreciation, need hardly be purchased immediately. When in our opinion market conditions are most favorable, the issue will again be drawn to the reader's attention.

Where Is Consolidated Gas Headed?

(Continued from page 391)

ought to be. And then, when the Public Service Commission asked for the supporting data with a view to making the claims effective, there did not appear to be any, and all the Commission could obtain were nebulous generalities.)

Financially, the Consolidated Gas Co. of New York has always been very strong. This does not mean, of course, that the company possesses any large amount of cash, or that its total current assets are far in excess of current liabilities—as a matter of fact current liabilities are almost constantly in excess of current assets. It means that the company's credit standing has always been high; that it was never endangered by following the usual utility practice of borrowing for the purpose of expansion and betterment, and then afterwards floating bonds or debentures to take care of the loan. Such a favorable state of affairs was partly the result of well-maintained earning power (said now by one school of thought to have been caused by excessively high rates) and partly the result of a sane capital structure. The company's $400,000,000 in long-term debt is only 40% of the $1,000,000,000 total capitalization.

Bonds Decline

It cannot be denied, however, that recently a little of the gilt has worn off the high credit standing of Consolidated Gas. The system's bonds, of course, are still high grade, but the chipping of the gilt can be seen in the preferred stock which now sells for 80 against a high last year of 95—the decline having taken place during a time when more fortunately situated preferreds were moving sharply upwards—and also in the common stock which can currently be bought for $20 a share against last year's high of nearly $50.

The lowering over recent years of the investment esteem in which the securities of the Consolidated Gas Co. are held can be attributed partly to an actual decrease in the volume of service rendered. But this decrease has been very small: indeed, the units of electricity sold last year will be little if anything below the all time peak. No, the trouble lies with lower rates, a constantly mounting tax burden and, in the past year or so, with higher costs of labor and materials. These are the factors responsible for the decline in the company's earnings and the reason why common stockholders were paid only 25 cents a share in the last quarter. And they lead us, if any consideration is to be given to the future, straight back to the political question with which we started.

No one knows, of course, to what depths the politicians will drive the Consolidated Gas Co. actually, but it is very much to be doubted whether the worst of the pressure has been seen. With their threats to build city-owned competing plants, the La Guardia administration is hoping to club the company into yielding lower rates. Meanwhile, the constantly mounting taxes levied by the self-same city are making it harder for the company to agree.

For the city to build duplicate plants is nothing more nor less than "cutting off its nose to spite its face": in the long run it will do no one any good—neither the city itself and its taxpayers nor the Consolidated Gas Co. and its stockholders. The proposal is an economic abortion (the immature product of an untimely birth) on a par with Federal waterways, non-hog-raising programs and the like.

On the other hand, if utility rates have *got* to be lowered, they have got to be lowered, that's all, and all the widows and orphans that the company is at such pains to point out as the beneficial owners of its securities are going to suffer. Now, it might seem that there were something wrong somewhere when a widow who put her money into Consolidated Gas common during 1929 at $180 a share currently can obtain only $20 a share for it, and faces the prospect of obtaining considerably less; whereas another widow who put her money into a fifth-rate private mortgage probably by this time has obtained a hundred cents on her dollar in the form of government-guaranteed bonds. However, the world is full of injustices and if those who rule us are determined to take away the

Bank, Insurance and Investment Trust Stocks

BANK AND TRUST COMPANIES

	Bid	Asked
Bankers (3)	55	57
Brooklyn (4)	81	86
Central Hanover (6)	109	113
Chase (1.40)	26	27½
Chemical (1.80)	37	39
City (1)	22¼	23¾
Corn Exchange (3)	45	46
Empire (1)	17	18
First National (100)	1565	1605
Guaranty (20)	302	307
Irving Trust (1)	14¾	15¾
Manhattan Co. (1½)	23	24½
Manufacturers (1)	22¾	23¾
New York (5)	97	100
Public (1.50)	30½	32½
United States Trust (*.70)	1615	1665

INSURANCE COMPANIES

	Bid	Asked
Aetna Fire (1.60)	46½	48½
Aetna Life (*.50)	18½	20
Carolina (1)	22½	24
Glens-Falls (1.60)	33	35
Globe & Rutgers	31	35
Great American (1)	20¾	22¼
Hanover F. (1.60)	35¾	37¾
Hartford Fire (2)	57½	....

INSURANCE COMPANIES—(Continued)

	Bid	Asked
Home (*1.15)	28½	30
National Fire (2)	56	58
North River (*.85)	22¾	24½
Phoenix (*2½)	69¾	71¾
Travelers (16)	412	422
United States Fire (*1.70)	46¼	48¼
Westchester F. (*1.40)	30¼	32¼

INVESTMENT TRUSTS SHARES

	Bid	Asked
Amer. Founders Trust 7% Pfd	15	18
Amer. & Gen. Sec. $3 Pfd	40	46
Bullock Fund	11½	12¾
Collateral Tr. Sh.—A	4⅜	....
Corporate Trust—AA	2.18	2.31
Incorporated Investors	16.88	18.14
Interl. Sec. Corp. of Amer., Pfd	15	18
Do Cum. Pfd	15½	18½
Nation-Wide Securities B	3.02	3.12
No. Amer. Trust Shares 1958	2.23	....
Second Intl. Securities A	1	2
Do 6% Pfd	33	36
Spencer Trask Fund	14.69	15.62
U. S. & British Internl. Pfd	6½	9
Uselps Voting Shares	.51	.59

*Includes extras.

widow's mite with one hand and pay her "relief" with the other, well. . . .

But this is somewhat beside the point. We are concerned here with the future of Consolidated Gas' rate structure and this is not a matter that is going to be decided with any element of abstract "fairness" in it at all. In the ultimate analysis—the way the cards are stacked at the moment—the matter will be determined by what damage to the utility will satisfy political "honor." The company, of course, can appeal to the courts and in this way put up a degree of resistance, but politics, possessing the tax power and having gained the sympathetic ear of those who hold Washington's bottomless money bags, would seem to hold all the aces. The utility's officials undoubtedly know this and therefore it has all the earmarks of a virtual certainty that they will back down before seeing the city go into the business in a serious manner.

There are already signs that this is the course that they intend to follow. The Niagara Hudson Power Corp. (closely connected with Consolidated Gas) announced the other day that it planned to reduce rates in a wide area upstate. Later, the Consolidated Gas Co. itself offered to make substantial write-offs in its ideas of "valuation," consolidate all its operating subsidiaries into one company, and establish uniform rates throughout the system, prior to putting into effect the "Washington Plan." This, of course, means lower rates. And lower rates go straight to the earnings applicable to a company's common stock, although in the past modest reductions have tended definitely to be offset by an increased volume of business. As for the possibilities in a general improvement in business, it might be noted in the case of Consolidated Gas that the company's huge residential load works both ways—it does not fall off much in depression and does not rise much in prosperity.

Yet, strange as it may seem perhaps, there are still a few rays of sunshine to be discerned for those who once considered Consolidated Gas an "investment" issue. The rays are distant and whether they are ever actually to warm a frozen countryside depends largely upon the skill with which the company's officials settle the present warfare. It should be a permanent settlement. The present performance is a waste of time and money; it frays the financial nerves, not only of the few that deserve to be frayed but of the country at large.

Now, the "Washington Plan" has the great merit of promising a permanent settlement. In its orignal conception, however, it involved all this rigmarole of "valuation"—surveys versus counter-surveys, appraisals versus counter-appraisals, original cost versus reproduction cost, "prudent investment" theories versus a dozen other theories.

Because of this, some of the best news of the New York utility situation that has been seen recently is the report that both Consolidated Gas and the Public Service Commission are agreed that there should be no actual appraisal—that the theoretical "valuation" should be determined by simple horse-trading tactics. This is likely to give just as good results as any other method and has the advantage of getting the agony over quickly, for it is only when a "valuation" has been settled, and the return thereon fixed, that the owners of, and loaners to, Consolidated Gas can really know how badly they have been hurt.

As I See It

(*Continued from page* 363)

the seriousness of the matter.

Dr. Townsend is at work in Washington now. A rally for the Townsend Plan has recently been held there, attended by more than a score of members of Congress. The scheme will actually be proposed on the floor of the House in a specific bill. Dr. Townsend claims that 25,000 local Townsend Plan clubs are at work and that he has some 25,000,000 signatures to a petition asking favorable Congressional action.

Perhaps the figures are exaggerated, but it is a fact that Congress is already feeling this special group pressure—exactly as it has felt and bowed to the American Legion pressure.

More than one Congressman seeing himself in the position of choosing between common sense and his political existence has stopped laughing. In reality, however, he need have no qualms. If the folks back home seem sold on the equalization of wealth, there is a glorious example that may be pointed out to them which shows just how it works. It is found in Russia—a country as rich in natural resources as ours—where, under the Soviets, everybody shares equally. No great individual wealth nor great disparities in income exists there, but want and suffering in the midst of plenty exceed anything that we have seen in any part of this country at any time. I know whereof I speak for I have seen it. I saw the conditions which will cause millions to starve this winter. The downfall of this colossal experiment with human lives has been mentioned in this column repeatedly—even when propaganda designed to put the rosiest possible front on Russian conditions was at its height, but it is too concrete an example of the inevitable results of communistic endeavor to ignore so long as witch doctors can attract a following in this country to jeopardize its welfare.

When Huey Long and Doctor Townsend are in office will they too shoot the dissenters as Stalin is doing today, and, greedy for power ride roughshod over the masses? It is surprising how authority modifies idealism. Agitators who from the soap box pointed with horror to the crime of starvation under capitalism, now proclaim from the Kremlin that suffering and starvation are the privileges of the patriot under the people's government.

REVIEWS AND [I]NFORMATION

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[De]pt. of Agriculture
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